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TAX ADMINISTRATION IN THE UNITED STATES

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In order to describe American revenue administration, one must consider the differences between governmental structures in this country and those in centralized states. Constitutionally, the American government is a duality. The federal (or central) government exercises certain attributes of sovereignty; the individual commonwealths, other attributes. Included among these is the right to impose taxes. With minor exceptions, both the federal and the state governments share this right without restriction [1]). Actually, tax administration, by reason of state constitutions and state legislation, goes on at three governmental levels — federal, state, and local. Under the laws of some states, tax administration for city and for other local purposes is split apart, thereby necessitating mechanisms for assessing and collecting taxes in two local governments.

Explanation of American tax administration thus must observe the outlines of governmental structures. Moreover, an evaluation of the administrative machinery requires some attention to the *objectives* of management. The present sketch of American tax administration may well indicate also some approaches to standards of evaluation. An attempt to measure effectiveness necessarily involves some over-all gauge or the analysis of individual aspects of administrative activity. In the pages that follow, both tools are employed.

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*) Commissioner H. Clyde Reeves, Department of Revenue, Kentucky, and Earl Turner, Research Associate, Bureau of Business Research, University of Kentucky have read an earlier draft of this paper and offered helpful suggestions.

1) The distribution of the taxing authority is summarized in James W. Martin, „Jurisdiction to Tax in the United States", *Bulletin* for International Fiscal Documentation, Vol. 3, Nos. 2 and 3 (1949), 55—71.

Administrative organization

Federal structures

The Treasury Department of the United States has responsibility for national tax administration. To discharge this function, the department employs two major agencies, the Bureau of Customs and the Bureau of Internal Revenue. As the Bureau of Customs largely regulates international trade rather than collects revenue and as it is conducts its work according to a plan reasonably familiar in other countries, attention here centers on the Bureau of Internal Revenue.

At present, the Bureau of Internal Revenue has five major divisions for tax administration purposes: the Accounts and Collection Unit; the Alcohol Tax Unit; the Employment Tax Unit; the Miscellaneous Tax Unit; and the Income Tax Unit. It also has several other agencies whose work is of basic importance to tax administration. The Excess Profits Tax Council has over-all supervision and responsibility for settlement of cases arising under the most troublesome section of the Internal Revenue Code effective during World War II. The Intelligence Unit continually investigates possible tax frauds and assures prosecution when essential. The Technical Staff is a decentralized agency set up to handle appellate cases concerned with income, excess profits, estate, and gift taxes. The Administration Division, the Personnel Division, the Information Service, the Statistical Division, the Training Division, and the Office of the Chief Counsel handle for the entire bureau the subject matter indicated by their respective titles. The Training Division, in particular, enjoys a reputation as outstanding among similar agencies in all American government.

It will be appropriate to sketch with some particularity the work of the five units which directly enforce the tax laws of the United States. All federal tax revenue, except customs, is *collected* in the American system under the supervision of the Accounts and Collections Unit. Collections are handled through 64 collection districts, each headed by a Collector of Internal Revenue and responsible for the revenues in a particular area, often an individual state. In supervising the work of the various collectors, the unit maintains 13 field area divisions and operates a detailed processing and analytical office at Kansas City, Missouri. It would perhaps be superfluous to say that the conduct of this large organization requires elaborate planning, effective over-all and decentralized accounting, and continuous supervision.

The Bureau of Internal Revenue not only administers the alcoholic beverage licenses and taxes but also conducts the national program

for the regulation of the alcoholic beverage business. The Alcohol Tax Unit, therefore, must do whatever is necessary nationally incident to the supervision of production, merchandising, and warehouseing; to the tax payment respecting distilled spirits, alcohol, wines, fermented liquors, cereal beverages, and denatured alcohol; and to the detection and prosecution of persons violating the statutes. The Alcohol Tax Unit functions through 15 field districts.

The Social Security Act instituted a program of old-age and survivorship insurance and another program of unemployment insurance. Support for these programs comes largely from two separate types of employment taxes, both administered by the Employment Tax Unit. The Miscellaneous Tax Unit administers the manufacturers' and retailers' excise taxes, the tobacco tax, the communications and transportation taxes, the admissions and dues taxes, the documentary stamp taxes, and all other federal taxes except those relating to income and profits, estate and gift, employment, and alcohol. The unit is responsible for adjusting and closing cases which involve repealed excise and miscellaneous internal revenue taxes.

The Income Tax Unit has responsibility for the administration of the national income, profits, estate, and gift taxes. It audits and verifies the returns relating to such taxes. It also reviews and disposes of additional assessments and claims for refund. The unit excercises administrative responsibility for certain other activities akin to but not directly concerned with taxation. From the viewpoint of technical tax work, the Income Tax Unit is far the most important in the bureau. It discharges much of its audit responsibility through „Revenue Agents' Divisions" comprehending 30 field offices, each a complete administrative organization for the examination of accounting and other records of taxpayers incident to audit of income, profits, estate, and gift tax returns [2]). The unit maintains an elaborate organization for the review of field audits, designed to assure country-wide uniformity in statutory interpretations and in tax practices generally. It also maintains facilities for dealing with all technical matters of income, profits, estate, and gift taxation including engineering, field procedure, and control of records:

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2) The entire machinery of tax administration of the United States is described as of 1942 in a series of papers by the present writer published in *Taxes — The Tax Magazine,* February to June inclusive, 1944. In terms of historical background and with special reference to legal responsibility, Aubrey R. Marrs of the Bureau of Internal Revenue has written *The Work and Jurisdiction of the Bureau of Internal Revenue* (Washington: Government Printing Office, 1948), XII + 107 pp.

State structures

The organization pattern in the 48 states is designed independently in each. As one would expect, each state exemplifies structural as well as functional peculiarities. So any classification of administrative structure must be distinctly artificial; the actual situation in any one state varies around rather than conforms with the standard organization pattern.

The administrative structure for handling state tax problems is better understood in the light of developments during roughly the past half century. During the nineteenth century, most of the states derived the bulk of their total revenues from taxes on the property of individual taxpayers. As state after state began to provide for corporation, inheritance, estate, income, selective and general sales, and other taxes, individual structures usually developed to administer each measure. As most of the states lacked a plan of merit personnel administration in the early part of the twentieth century, each new tax was frequently administered by the state agency which could make the best case for an additional function to enhance its prestige and particularly to accord it added political spoils. In consequence of this, the first pattern developed before any state tax administration plan emerged.

This original administrative plan (or lack of it) scattered activity with respect to assessment and collection indiscriminately among numerous state offices, some of which served primarily other and dissociated functions and some organized for the express purpose of administering a particular tax. This type of administrative organization has now wellnigh disappeared. Few states today adhere fully to the plan, though until recently Florida, Missouri, Nebraska, and Texas approximated it.

A second group of states place tax administration under one head (which in some states is still a board rather than an individual) but do not knit together the management of day-to-day activity. In fact, in a number of these states, the work is as completely disintegrated as under the original organization plan except that all the several divisions owe some allegiance to a common head. Examples of this type of organization include Alabama, Massachusetts, Montana, Pennsylvania, and South Carolina. Probably the most that can be said for this pattern is that it reflects a modicum of progress toward unified management policy.

A third group of states has by law consolidated administrative responsibility in a single department, and the administrative head has integrated control. Tax administration operates for the entire

governmental unit as a single whole [3]). This pattern generally obtains in those states making most progress toward the utilization of modern management techniques. It appears to be essential to reasonably complete unification of tax administration policy as well as to the full utilization of the economies of large-scale operation. Among the states which exemplify this structural plan are Colorado, Kentucky, New York, Utah, and Vermont.

Most of the states, in practice, employ elements of two or more of the general organization patterns. Some states administer certain particular taxes through a well knit, integrated department and scatter the handling of others among a variety of disorganized state or state-local agencies. Others, to give only one other example, have two or more consolidated but disintegrated agencies — sometimes with the administration of certain individual taxes not included.

Local structures

Because local government characteristically depends heavily, if not exclusively, on property taxation, the over-all organization pattern is relatively simple. Indeed, until comparatively recent years it was almost standarized.

Local governments separately responsible for property tax administration provide an office for assessment and authorize that office or more frequently a second office to make collections. As long as local government depends exclusively on property taxation, this pattern is pervasive. The system which provided one tax administration for counties and a separate organization for cities, with duplicate assessment and collection, has gradually disappeared over the years but still exists in a number of states. In the remainder, one governmental unit makes property tax assessments; then it collects the taxes for all local government and makes appropriate distribution to the treasurers of the respective local government units. In most cases, this is a county function; but, in some instances, city governments maintain property tax machinery for themselves and for certain other over-lapping units of government.

The comparatively recent employment of license, income, and various sales taxes in local governments means a new revenue administration task. The organization pattern is not uniform in different states or even in various cities of the same state. In some cases collectors who handle property taxes also take care of the licenses and other taxes; in other cases, entirely new agencies administer the newer revenue measures.

[3]) The present author in „Consequences of Integrated State Tax Administration", *Taxes-The Tax Magazine*, July, 1943, pp. 372—375, 401—402, has analyzed the results of comprehensive integration to 1943.

State-local relationships

From what has been said one might infer that there is no relationship between state and local tax administration. This inference would be in error. However, the pattern is so variable among the states that only elaborate analysis can convey an accurate idea. One study classifies the activities respecting property taxation, for example, as including review of individual assessments, equalization of average assessments among the local assessment districts, central assessment by the state (a process which involves tieing the state work into the local), and supervision. Supervision involves provision of technical aids, of administrative aids, and of legal aids [4]).

OBJECTIVES OF TAX ADMINISTRATION

If the distribution of the tax load among taxpayers is to be just, administration must be good [5]). Moreover, attainment of certain objectives, including equity among taxpayers, necessitates serious consideration of the policy which an administrator follows.

In many units of American government, as elsewhere, the paramount objective in the past was „protection of the revenues". The tax administration was envisioned as representing the state in opposition to the contributors to the public treasury. Thus, the auditor was charged with finding and asserting additional taxpayer liability. This concept of tax administration results, if it operates effectively, in correcting errors adverse to the state and leaving uncorrected taxpayer mistakes adverse to himself.

A by-product of extreme solicitude for „protecting the revenue" is emphasis on tax statutes and on arrangements for their administration. Primary stress under these circumstances inevitably rests on machinery for settlement of cases in controversy to the neglect of original reporting or otherwise determining of tax liability. If the problem of tax administration is conceived as principally the disposition of disputed cases, then primary attention must be given to the means by which disagreements can be resolved. This process, important and desirable in itself, is unfortunate only in that it

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[4]) Beulah Lea Pardue, *State Supervision of the Property Tax Assessments in Kentucky* (Lexington: Bureau of Business Research, University of Kentucky, 1948), V — 67 pp.

[5]) James W. Martin, „Tax Administration and Tax Equity", *Proceedings*, National Tax Association, 1947, 209—305, a presidential address, was followed by two major conferences on tax administration, the proceedings of which have been published: National Tax Association, *Proceedings* of Forty-First National Conference, 1948 (Sacramento, California: Author, 1948), XXV + 724 pp., and Tax Institute, *Income Tax Administration* (New York: Author, 1948), XX + 449 pp.

diverts attention from the more important original determination of liability and the payment of the correct amount owed by the taxpayer who does not contest.

In recent years especially, the basic growth of the attitude that emphasis must be on original accuracy has been apparent [6]). Placing stress on the correct original determination of liability has as a clear corollary in American experience the development in audit activity of an effort to correct any initial mistakes rather than merely to assert additional liability on the part of the taxpayer [7]). This new attitude in federal, state, and local practice is to some extent still undeveloped in property tax practice. In the case of property tax assessment, taxpayers have full opportunity for individual review before administrative and often also before judicial agencies. By having neglected to take advantage of these opportunities, the taxpayer usually may not later expect a voluntary refund or claim an adjustment.

MEASURING ACHIEVEMENTS IN TAX ADMINISTRATION

In American practice, three over-all measures of administration achievement are employed. The most usual, though far the most inadequate, is the ratio of cost to the amount of revenue collected. Often political leadership accepts the view that the lower the cost in relation to collections, the better the administration. Of course, nothing could be farther from the truth. This ratio depends on (a) how it is computed (and the method of computation has never, except in very few states, been worked out on a remotely accurate basis or on a basis reasonably comparable from one jurisdiction to another) and (b) on the rate at which the tax is imposed. Neither of these circumstances has any relationship to administrative efficiency. The criterion is nevertheless important from the viewpoint of internal administrative control. If, under a given tax rate and a given method of computation, administrative costs fluctuate radically, that fact should constitute a signal calling for investigation.

Less objectionable than the ratio of costs to revenue is the marginal significance of expenditures for administration. It is often said, for example, that for each dollar added to the appropriation for tax

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[6]) Advisory Group pursuant to Public Law 147 (80th Congress), *Investigation of the Bureau of Internal Revenue* (Washington: Government Printing Office, 1948), VII + 58 pp. See also the discussion of standards of tax administration in National Tax Association, *op. cit.*, 1948, 45 ff.

[7]) In the personal experience of tax administrators now in service, there are numerous anecdotes of taxpayer surprise that he received as a result of audit a tax refund without himself taking any action whatever to secure it.

administration, $10 or $20 can be collected from the taxpayers. Basically, this method of attack can be helpful, but it can also be dangerous. The helpfulness is perhaps obvious. The danger lies in the invitation to confuse administrative objectives. Some of the evil consequences from use of this measure in dealing with the public, particularly with the legislature, can be eliminated if, instead of a ratio of additional collections to marginal appropriations, the tax official employ audit corrections (whether as additional payments or as refunds) as the numerator of his fraction and the amount of the marginal appropriation as the denominator.

A less objectionable but also less feasible over-all measure of efficiency involves resort to data not accumulated as a result of tax enforcement activity. If, from a census, a regulatory body's records, or from other nontax sources, tax data can be compared with the volume of sales subject to tax or with any other measure of tax liability, then a reasonable criterion of administrative efficiency can be developed. Unfortunately, no such measure is available for most American taxes; and this approach, therefore, is in practice a very limited one. In a few instances, however, it has proved distinctly useful, particularly when later transactions are available as a test of efficiency. One example is the assessment of real estate taxes. A satisfactory ratio of the assessed valuation to actual sale price in transactions made shortly after the assessment can be effectively employed to measure the accuracy of assessed valuations. Although this measuring stick lacks precision, it has genuine usefulness.

Analytical tests

Because an over-all measure of efficiency is unavailable, the best approach is to break down the problem into its aspects and appraise these one by one. Below are questions on certain major phases of tax administration with attempts at summary answers.

Is the personnel for tax administration efficient?

This problem overlaps other issues, especially so as to personnel management per se. Staff size and pay rates are significant criteria of tax administration efficiency. The federal government, though long handicapped in these respects, now has a staff approaching adequacy in size and a pay schedule substantially in line with that of similar employees in other work. State practices vary widely, ranging from staffs of adequate size and pay scales in California to staffs of pathetically small size and totally inadequate compensation in a number of states.

A second criterion is the general caliber of the staff. With the

possible exception of some employees in the offices of collectors, where recent improvements are apparent, the Bureau of Internal Revenue, according to observers generally, employs a group of men and women of extraordinarily high efficiency. The level of personnel among the states is variable, but the average appears to be below that of the federal government. The average of the local staff is far below that of the states. The status *on the average* should not obscure the fact that the best manned state and local governments have staffs which equal or exceed the caliber of Bureau of Internal Revenue personnel. In part, existing deficiencies result from the lack of modern machinery for over-all personnel management in many of the state and local governments, but more largely perhaps they result from defective leadership. Some states have shown rapid post-war strides in the improvement of tax administration manpower; others have made no general advance.

Another personnel factor is the honesty of tax administration staff. Despite the number of persons engaged in tax work and of the opportunity for wrongdoing incident to performance of their peculiar functions, tax administration staffs in the United States have proved remarkably honest. This is exceptionally true of the Bureau of Internal Revenue personnel and of that in many of the state governments. Local property tax assessors more frequently succumb to temptation, if one may judge from the quality of assessments rather than from actual convictions.

Morale, to mention only one other aspect of tax department personnel, is a condition of efficient administration. Executives responsible for tax work involving most of the revenues in the United States recognize this intangible asset and work toward its attainment. For a long time, again with reservations respecting collectors' offices, the Bureau of Internal Revenue staff has exhibited fine spirit. In fact, it has done its work better than the numbers of persons engaged in relation to the size of the task would lead one to expect. In many states and in some larger local governments, the situation is similar. In a number of other state and local governments and in almost every case when there is an impending change of political policy, morale suffers.

Does tax administration utilize adequate equipment to execute its work at low cost?

The issue here is one of balancing staff against physical equipment in the most effective manner. That is, workers should utilize the amount of capital which, under current conditions, will enable them to render the greatest amount of service in relation to cost. Obviously, certain types of equipment are more economical if employed by a

large staff than by a small one. Equally obviously, the particular type of work to be done will condition the importance of mechanization. For example, if taxes are characteristically collected in large amounts from a small number of taxpayers, mechanical devices are less economical than if the same amount is collected in small sums from a large number of taxpayers.

For many years, the federal Bureau of Internal Revenue lagged far behind the general level of mechanization attained by business establishments in America. In recent years, there is evidence that the bureau is making remarkable strides in the utilization of machinery appropriate to the tax administration task[8]). In the states, practice varies from almost a total lack of such machinery, as equipment for accounting, in one or two instances to thoroughly adequate equipment in others. As early as 10 years ago, for example, Michigan had so mechanized sales tax administration that accounts, mailings, verification of taxpayer compliance, and other phases of tax work were handled mechanically.

Since World War II many states have made rapid progress in the installation of mechanical equipment, especially punch card machines, modern filing devices, numbering machines, and photographic apparatus. In most of these states, according to limited studies, installations have followed careful investigations and have not gone beyond the point dictated by sound economy. Certainly, in some state and in some local units of government, mechanization has previously lagged far behind developments elsewhere and still falls short of the point regarded as the best combination of production factors.

Are taxpayer relationships maintained on a wholesome basis?

The primitive view of effective public relations in tax administration was that taxpayers should be kept sufficiently frightened so that they would not be guilty of illegal practices in relation to the government's revenue claims. This view dominated American tax administration beyond the time when it had been effectively discredited. Today, all students of public administration generally and of tax administration in particular agree that the doctrine is not sound. There is a general consensus that „taxpayer morale" is as important to effective administration of the revenue system as is

8) In this connection, see Aubrey R. Marrs, „Procedure and Practice before the Treasury Department", *Accounts and Taxes* (Lexington: Bureau of Business Research, University of Kentucky, 1950), 1—16, and the address of Commissioner George Shoenemann before the 1950 conference of the National Association of Tax Administrators, to be published in that organization's *Revenue Administration.*

employee morale. Political leadership also recognizes the necessity for a tax policy which will enlist taxpayer assistance rather than induce fright. The effective development of this attitude depends, among other things, on a clear recognition that taxation is a political function. The public for a long time sought „to remove tax administration from politics". Increasingly, there is recognition that political leadership is an essential ingredient in revenue administration [9]). Notwithstanding tax department appreciation of the need for such leadership, the actual practice, especially in many individual state and local governments, falls short of recognized necessities. The adjustments in this area of public relations was largely spearheaded by officials in certain states and cities; the Bureau of Internal Revenue has made great headway in only the past few years, especially since, during World War II, the personal income tax came to involve around 50 million taxpayers.

One phase of relationships between tax administration and taxpayers involves the use of communication media. Is there effective newspaper, radio, movie, and television publicity respecting deadlines and taxpayer obligations? Are there well edited tax codes, understandable tax forms, clear and intelligible regulations, and adequately informative reports? Are there courteous and business-like personal contacts with taxpayers? As means of collecting the taxes required by law, the administration must necessarily employ such devices. Respecting all these means of communication, practice varies widely. To a great extent those governmental units solicitous about public relations do the best work in utilizing the various techniques for making taxpayers aware of their obligations and in facilitating compliance. This is not always the case, however. For one illustration, a particular city may do its very best to handle general public relations and yet be forced to utilize state-prescribed forms, regulations, and other printed matter of inferior quality. On other occasions, the tax administrator may recognize the place of public relations management in general but be unaware of, or unable to obtain, some types of material needed for carrying on such activity.

Finally, to mention only one other means of maintaining good taxpayer relationships, review processes must be adequate. As previously indicated, tax administration policy should be geared basically to meeting the needs of taxpayers whose compliance with the law never becomes a „case". The effectiveness of tax administration is conditioned heavily, however, by the *fairness* and the *appearance of fairness* exhibited in the arrangements for review of debatable issues.

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[9]) James W. Martin, „Principles of State and Local Tax Administration", *Tax Magazine*, September, 1937, pp. 521 ff.

Because the legalistic approach antedated the current emphasis on management in the interest largely of noncontroversial settlements, the review phase of taxpayer relationships is better handled on the average than other aspects. Indeed, most jurisdictions have acceptable statutory procedures. However, because these arrangements often emphasize the tax administrator's partisan function, the statutory review provisions injure more than help „taxpayer morale". Increasingly, however, this review problem is being more adequately met than formerly at all levels of American government.

Is the tax enforcement policy designed effectively to collect all the tax legally due and no more?

Most important in the development of non-discriminatory practices in taxation is the increasing emphasis on correct *original* compliance with the tax laws — that is, stress on so administering the revenue program that those taxpayers respecting whose liability there is no controversy will pay the amount owed and no more. But, as previously noted, something beyond this is essential. The tax administrator must cease to be an advocate of the state and become increasingly objective in his outlook. He must be judicial minded rather than partisan minded if his job is to be effectively done.

It is essential, too, that enforcement policy be so formulated as to secure appropriate distribution of stress among different taxes, classes of taxpayers, and geographical areas. For example, administration of a corporation income tax with vigor, accompanied by neglect of the individual income tax, must inevitably lead to lowered effectiveness.

In the United States, the enforcement policies at the federal level have been increasingly well balanced in recent years. The distribution of emphasis is being aided by mechanization which renders errors by taxpayers easier to discover and classify [10]).

In the state governments, progress toward objectivity in administration and toward reasonable stress on various phases of enforcement has grown apace in recent years. Audit work in a number of states, however, continues to lag for lack of adequate staff. There is reason to think that the National Association of Tax Administrators has contributed to improvement in state distribution of enforcement effort among taxes, classes of taxpayers, and areas.

Local governments, especially in property taxation, have made less headway toward the recognition of non-discriminatory enforcement policy, even though in a considerable number of populous

[10]) On this point see Commissioner Schoenemann's address to be published in *Revenue Administration*, 1950.

areas, equality has been largely attained. In the latter cases well balanced enforcement programs have been applied to property tax assessment and collection. There is reason to think that when local governments have adopted important nonproperty taxes, responsible administrators have neglected the audit function [11]).

Is there efficient management of routines of tax administration?

Proper management of revenue administration routines can avoid waste of manpower and machine time and help maintain the confidence of taxpayers. If tax records are inaccessible, if they clear slowly, or if they otherwise show evidence of incomplete or inefficient verification, taxpayers are inclined to take their own responsibility incident to revenue administration less seriously than if mail, records, formal verification, and files are effectively managed. In the United States, practice shows wide differences on this particular score. Even within the Bureau of Internal Revenue some of the collectors' offices are poorly equipped while others employ the most modern office management techniques. This variation occurs despite efforts made by the bureau's Accounts and Collections Unit to assure efficiency. One phase which has long prevailed flows from inadequate mechanization, a shortcoming which only now is being gradually corrected. Even today, to some extent, bureau personnel operates under the handicap of insufficient clerical facilities and other means of doing the best possible work. Even more widespread are the shortcomings in routine management in state and local tax administration, although many states and a number of local governments administer routines in a fashion calculated to inspire taxpayer confidence.

Is basic tax policy such as to induce taxpayer cooperation in the administrative process?

Not only must the tax administrator, in order to achieve maximum administrative effectiveness, attain a general attitude of objectivity rather than partisanship in handling his work but the basic policy embodied in the tax laws must also be fair. In some respects, taxpayers think the national government policy provides for favoritiam. This viewpoint impedes efficient tax administration. Some state laws attempt to extend coverage to out-of-state subject matter. For example, some statutes designed to allocae the property or income of interstate businesses do so in such a way as to tax more than a reasonable share. In all these respects, definite headway has been

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[11]) Alfred G. Buehler, „The Philadelphia Income Tax", *Proceedings*, National Tax Association, 1945, 236 ff., and James W. Martin and others, *Preliminary Report on Occupational License Taxes in Louisville*, 1949, 21 ff., for example.

made in recent years throughout the United States toward a higher ethical level in tax law. Many of the provisions which assure multiple taxation are still on the books; and, where they are, they constitute distinct impediments to tax administration on a basis of equality and to maintenance of relationships with taxpayers conducive to effective management.

What is the attitude toward improvement in administrative practices?

The Bureau of Internal Revenue, especially in recent years, has decerved a distinctly high rating for its willingness to consider proposals for improvement. In view of the size of the bureau [12]), the Treasury adjustments to secure more and more effective administration have frequently been made on relatively short notice and sometimes on an experimental basis. Such changes, of course, are not made lightly but apparently always in good faith. The same observation applies to a number of the state tax administrators, but in some instances the attitude is one distinctly favorable to status quo. This respect for existing practices particularly characterizes administrative offices headed by elective officials. Because counties and cities more often have elective tax officials, the attitude is even more usual in local government than in state government. In both state and local tax work, numerous administrators are actively searching for improved ways of doing things.

[12]) Compare recent annual reports of the Commissioner of Internal Revenue.

LE PROBLÈME DE LA RÉFORME DE LA FISCALITÉ FRANCAISE

(SUITE)

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CHAPITRE II - *La thérapeutique de la fiscalité*

Il nous faut examiner: d'une part, la réforme de 1948—1950; d'autre part, les projets de réforme y compris le nôtre.

SECTION I - *La réforme de 1948—1950*

Avant d'en expliquer le contenu et d'en faire la critique, il est nécessaire d'en étudier la réalisation qui n'a guère été simple.

§ 1 - *Réalisation de la réforme*

Elle s'est faite sans rigoureuse méthode, en *deux étapes principales:* 1948 et 1950.

Par une loi du 17 août 1948, le Parlement, incapable de réaliser lui-même la „révolution fiscale" dont il proclamait, depuis longtemps, l'urgente nécessité, avait donné au Gouvernement le pouvoir d'effectuer, par décrets, une réforme fiscale. C'est sur la base de cette loi de „délégation" que le Gouvernement a pris, en fin 1948, trois décrets-lois dont voici l'étiquette inélégante: décret-loi du 8 décembre 1948 „portant" refonte du Code des douanes; décret-loi du 9 décembre 1948 „portant" fusion des autres codes fiscaux en un code unique dit Code général des impôts; décret-loi du 9 décembre 1948 „portant" réforme fiscale (le plus important de tous comme veut l'indiquer son malheureux titre). La date respective de ces trois décrets-lois est celle de leur signature par le Président du Conseil

des Ministres (rappelons qu'en vertu de la Constitution de 1946, les décrets généraux émanent, en principe, du Président du Conseil et non plus du Président de la République).

Conformément à la loi du 17 août 1948, ces trois décrets-lois out été présentés au Parlement sous la forme d'annexes à la loi de finances de l'exercice 1949. Et, chose curieuse, ils lui ont été soumis le 25 novembre 1948 encore que signés les 8 et 9 décembre 1948 [1]).

Après une discussion confuse — comme toutes celles, d'ordre technique, qui se déroulent dans les arènes législatives — les trois décrets-lois ont été, sinon expressément du moins implicitement, approuvés par les Chambres. Cette „ratification" résulte non seulement des débats mais encore de lois qui, votées ultérieurement, ont partiellement modifié ces textes (une loi n. 48-1974 du 31 décembre 1948 — que nous retrouverons — a même visé le décret-loi, *in globo,* du 9 décembre 1948 portant réforme fiscale).

Toutefois, de ces trois décrets-lois, seuls deux furent publiés au Journal Officiel du Ier janvier 1949 (ils sont applicables, en principe, depuis cette date): décret-loi nº 48-1985 du 8 décembre 1948 portant refonte du Code des douanes et décret-loi nº 48-1986 du 9 décembre 1948 portant réforme fiscale. En effet le décret-loi du 9 décembre 1948 portant refonte des codes fiscaux (autres que celui des douanes) ne fut point publié, la loi nº 48-1974 du 31 décembre 1948 ayant décidé que sa publication serait retardée.....

Pourquoi ce retard? Il s'explique, sans se justifier, par la teneur différente des trois textes. Seul le décret-loi du 8 décembre 1948 a simultanément remanié et recodifié la réglementation douanière. Quant aux décrets-lois du 9 décembre 1948, s'ils avaient le même objet — en ce sens que tous deux concernaient la législation des impôts directs et des impôts indirects à l'exception des droits de douane — leur contenu était différent. Tandis que l'un (celui qui n'a pas été publié) recodifiait cette législation mais ne la modifiait que légèrement (les quelques retouches qu'il y apportait étaient de médiocre importance), l'autre — celui qui a été publié — remaniait sensiblement cette législation mais ne la recodifiait pas (il se contentait de prévoir la refonte ultérieure des codes fiscaux). Cette divergence a été dégagée par le Gouvernement lui-même dans les exposés des motifs qui précèdent le corps des décrets-lois. Et voici un exemple qui l'illustre. Alors que l'un des textes du 9 décembre 1948 — celui qui n'a pas été publié — intégrait, dans le cadre du nouveau Code général des impôts qu'il créait, les anciennes

[1]) Ainsi s'explique-t-on pourquoi, dans l'unique note accompagnant la première partie de cet article (v. Cette Revue, 1949, no 2, p. 125, note 1) nous avions succinctement indiqué que le Parlement discutait une réforme fiscale dont le Gouvernement l'avait saisi le 25 novembre 1948.

contributions sur les revenus (impôts cédulaires et impôt général) maintenues sous réserve de certains „aménagements", l'autre — celui qui a été publié — les remplaçait, dans le cadre de l'ancien code des impôts directs qu'il conservait avec tous les codes fiscaux (sauf celui des douanes), par de nouvelles contributions sur les revenus (impôt des personnes physiques et impôt des personnes morales). Ainsi les décrets-lois du 9 décembre 1948 contenaient, sur le même objet, deux réformes sensiblement différentes et en quantité et en qualité: ils s'ignoraient donc mutuellement. Dans ces conditions, s'il était possible de publier en même temps que le texte „douanier" l'un des deux autres textes, il était impossible de publier ceux-ci avec celui-là. Et, obligé de choisir, le Gouvernement a préféré publier d'abord le décret-loi portant réforme fiscale parce que ce dernier était plus important que le décret-loi portant fusion des codes fiscaux en ce sens qu'il remaniait davantage la réglementation des impôts directs et indirects (à l'exception des droits de douane).

Mais alors une seconde question se pose: pourquoi le Gouvernement a-t-il établi, pour toutes les contributions autres que douanières, deux textes distincts qu'il a simultanément soumis au Parlement? De cette bizarrerie — c'est le moins qu'on puisse en dire — l'explication nous est livrée, fort discrètement d'ailleurs, par les motifs précédant les décrets. Désireux de réaliser une réforme, fût-elle même modeste (afin de donner une satisfaction apparente à l'opinion publique), le Gouvernement a pensé que, si le plus important des deux textes était rejeté par les Chambres, celles-ci accepteraient le moins important. Sujet en effet à ces continuelles variations qui caractérisent sa vie politique, le Parlement regrettait la „délégation" de pouvoir qu'il avait consentie au Gouvernement par la loi du 17 août 1948. Donc, diviser les risques, telle était la „raison" pour laquelle le Gouvernement (et, derrière lui, l'Administration) avait préparé les deux décrets-lois du 9 décembre 1948.

Or, pareille crainte ne s'est point réalisée. Protestant mais impuissant, le Parlement approuva les deux textes à la fois. Mais, puisqu'ils étaient différents, il a fallu prévoir „la mise en harmonie" du décret-loi portant fusion des codes fiscaux (non encore publié) avec le décret-loi portant réforme fiscale (déjà publié). C'est ce qu'a décidé la loi nº 48.1974 du 31 décembre 1948 (art. 15). Et, dans l'esprit de nos gouvernants, ministres et parlementaires, cette prescription devait se combiner avec une disposition du décret-loi portant réforme fiscale (art. 274) selon laquelle les codes fiscaux (autres que celui des douanes) seraient „harmonisés" — toujours cette jolie formule transposée du plan musical sur le plan fiscal où elle détonne singulièrement! — avec ledit décret-loi. Il nous faut expliquer clairement cette obscure combinaison. Le décret-loi portant

réforme fiscale procédait par modifications soit, et parfois, directes, soit, et généralement indirectes: il remaniait les codes fiscaux, (toujours à l'exception de celui des douanes) tantôt en s'y référant (première méthode) tantôt et plus souvent (seconde méthode) sans s'y référer. L'emploi simultané de ces deux procédés exigeait donc une révision ultérieure des codes ainsi modifiés. Tel était l'objet de l'article 274 du décret-loi portant réforme fiscale qui ne stipulait point si la révision se ferait par fusion ou non des codes en un seul. Mais, du fait qu'il existait également un décret-loi portant fusion des codes — lui aussi accepté par le Parlement — il devenait possible de compléter la réforme fiscale en intégrant, dans le mouveau code „unique" établi par l'un des deux textes du 9 décembre 1948, les anciens codes multiples remaniés par l'autre des deux textes du 9 décembre 1948.

Malheureusement, cette combinaison de l'article 274 du décret-loi portant réforme fiscale et de l'article 15 de la loi du 31 décembre 1948 n'a pas été faite expressément. Il eût été pourtant souhaitable qu'elle le fût car ces deux articles ne s'accordaient pas sur deux points: ni comment ni quand serait effectué le travail de codification. Si les deux articles prévoyaient que la mise en harmonie serait faite par décrets, il ne s'agissait pas cependant des mêmes décrets (il existe des décrets „solennels" pris après avis du Conseil d'Etat et des décrets „non-solennels" pris sans avis du Conseil d'Etat): l'article 15 exigeait un décret „solennel" (plus précisément, un règlement d'administration publique c'est-à-dire un décret rendu après consultation de l'assemblée générale du Conseil d'Etat), tandis que l'article 274 se contentait de décrets „non-solennels". En revanche, celui-ci fixait une date — Ier juillet 1949 — alors que celui-là n'en stipulait point. Gouvernement et Parlement se sont implicitement entendus pour accorder les deux articles en retenant de chacun la condition la plus sévère: de l'article 15, condition formelle (décret solennel); de l'article 274, condition temporelle (Ier juillet 1949).

Il était évident, pour qui connaît les errements administratifs — car toutes ces réformes (remaniement des impôts et codification de la législation) ont été, en réalité, l'oeuvre de l'Administration — que ce travail d'adaptation ne se ferait pas rapidement. Et en effet le délai fut prorogé, à quatre reprises, par des lois du 31 juillet 1949, du 31 décembre 1949, du Ier février 1950 et du 2 avril 1950. D'après celle-ci, le délai expirait définitivement le 10 avril 1950.

Ce travail d'adaptation fut finalement réalisé par des décrets du 6 avril 1950 qui, publiés au Journal Officiel du 30 avril 1950, contiennent le Code général des impôts. (v. sous ce titre, la chronique du Pr Trotabas, Dalloz, 1950, 25 ème cahier; notre article, La Réforme fiscale-considérations générales, Semaine Juridique, 1949-I-762).

§ 2 - *Contenu de la réforme*

Ainsi réalisée en deux étapes, la réforme s'est efforcée de remédier aux maux dont souffrait notre fiscalité. Et cela par deux procédés: *en remaniant le régime des contributions et en codifiant la législation des impôts.* Sans doute, chacun de ces deux aspects généraux ne correspond-il pas absolument à chacune des deux phases principales de la réalisation de la réforme. Car les décrets-lois de 1948 et les décrets de 1950 portent, les uns et les autres, à la fois sur la codification et le remaniement. Mais il reste qu'ils concernent principalement, les seconds la codification et les premiers la remaniement.

1° - *Le remaniement du régime des impôts* a été l'oeuvre, en grande partie, des décrets-lois de décembre 1948 et, en petite partie, des décrets d'avril 1950. A cet égard, les auteurs de la réforme ont voulu remédier à deux des maux que nous avons signalés: complexité de la réglementation fiscale — inégalité de la charge fiscale (v., notre livre, La réforme fiscale, 1949, p. 7 et s. et notre article, La Réforme fiscale-Considérations générales, Semaine Juridique 1949-I-762).

La réforme tend à simplifier la réglementation d'une double manière: par suppression d'impôts (des contributions ont été ou bien supprimées ou bien remplacées ou bien fusionnées) et par assouplissement des formalités. Notamment dans le domaine des impôts sur les revenus et dans celui des droits d'enregistrement.

Dans la *catégorie des droits d'enregistrement,* on a assoupli la formalité (rappelons que ces impôts sont perçus à l'occasion de l'enregistrement soit des actes soit des mutations: d'où leur nom) et surtout on a supprimé des droits. Si en effet leur trilogie demeure — il y a donc encore des droits fixes, des droits proportionnels et des droits progressifs — leur nombre a été réduit et leur domaine précisé. Des droits proportionnels ont été remplacés par des droits fixes dont la diversité a, elle-même, été diminuée (plusieurs ayant été fondus en un seul). Et sans devenir une règle rigide, la faible tendance qui gouvernait le domaine respectif de cette „trinité" fiscale s'est fortement affermie: tandis que les droits fixes frappent les actes (écrits ne constatant pas des mutations), les droits proportionnels et progressifs atteignent les mutations (qu'elles soient ou non constatées par des écrits), seul le principe selon lequel les droits sont proportionnels lorsqu'il s'agit de mutations à titre onéreux et progressifs lorsqu'il agit de mutations à titre gratuit n'ayant pas été modifié (v. notre livre, La Réforme fiscale, p. 224 et s.).

Dans la *catégorie des impôts sur les revenus,* on a remplacé les 6 ou 8 impôts cédulaires (nous avons précédemment indiqué que, sur les 6 cédules, deux à savoir la cédule foncière et la cédule mobilière se dédoublaient respectivement) et l'impôt général par deux impôts

concernant, l'un les personnes morales et l'autre les personnes physiques. L'impôt sur le revenu des personnes morales — encore appelé impôt sur les sociétés parce que les sociétés en sont les principaux contribuables — remplace les impôts cédulaires en tant qu'ils frappaient les personnes morales. Il est unique à la différence de l'impôt sur le revenu des personnes physiques qui se dédouble en une taxe proportionnelle laquelle se substitue aux impôts cédulaires en tant qu'ils atteignaient les personnes physiques (les deux catégories de personnes juridiques étaient en effet contribuables aux impôts cédulaires) et en une surtaxe progressive laquelle remplace l'impôt général qui ne frappait, en principe, que les personnes physiques. Ainsi le changement s'analyse-t-il à la fois en une réduction du nombre des impôts et en une distinction — base de la séparation des deux impôts nouveaux — de la nature des contribuables (v. notre livre, La Réforme fiscale, p. 13 et s. et notre article, La Réforme fiscale-Impôts directs, Semaine Juridique 1949-I-766 et 797).

La réforme tend à égaliser le poids de la fiscalité afin d'alléger la charge fiscale individuelle réelle sans diminuer la charge fiscale collective réelle. En termes moins sibyllins, cela signifie qu'on a voulu conserver, sinon même augmenter, le rendement effectif de toutes les contributions et adoucir la taxation effective de chaque contribuable en rejetant sur less redevables les moins imposés une partie du fardeau des contribuables les plus imposés. Et, pour réaliser „dans la mesure du possible" cette „péréquation de la charge fiscale" (ces formules sont celles des rédacteurs des décrets-lois), la réforme adopte deux mesures: il s'agit, d'une part, de combattre l'évasion (et nous avons déjà indiqué que ce terme, sous notre plume, est plus compréhensif que celui de fraude) en s'attaquant aux privilèges de droit et de fait qui résultaient soit du contenu défectueux soit de la mauvaise application de la législation fiscale et, d'autre part, d'abaisser les taux, ces deux mesures étant, dans l'esprit de la réforme, étroitement liées parce qu'il ne devient possible de combattre l'évasion — et, plus spécialement, la fraude — que si la charge a été préalablement allégée. Ces deux mesures, telles qu'elles ont été établies par les décrets, sont assez générales car elles s'appliquent à de nombreuses contributions. Mais c'est — ici encore — dans le domaine des impôts sur les revenus et dans celui des droits d'enregistrement qu'elles se manifestent le plus.

S'agissant des nouvelles *contributions sur les revenus,* on s'est efforcé d'obtenir une détermination plus exacte de la matière imposable. Davantage d'ailleurs dans l'impôt sur le revenu des personnes morales que dans l'impôt sur le revenu des personnes physiques. Car, tandis que le premier frappe un revenu global qui est évalué d'après le procédé de l'évaluation réelle, le second frappe un revenu global

qui, pour sa détermination, demeure divisé en six catégories de revenus (bénéfices commerciaux, revenus fonciers, bénéfices agricoles, revenus salariés, bénéfices non commerciaux, revenus mobiliers) qui obéissent tantôt au régime de l'évaluation forfaitaire tantôt au régime de l'évaluation réelle. Dans cet impôt, la réforme consiste donc à remanier le calcul non pas de tous les revenus cédulaires (elle n'a guère touché aux bénéfices commerciaux, aux revenus salariés et aux bénéfices non commerciaux) mais de certains revenus cédulaires dont l'évaluation était jadis insuffisante (revenus fonciers, bénéfices agricoles, revenus mobiliers). Elle a remplacé l'évaluation forfaitaire par l'évaluation réelle — cas des revenus fonciers — ou perfectionné l'évaluation forfaitaire afin de serrer davantage la réalité économique-cas des bénéfices agricoles et même des revenus mobiliers qui, contrairement à une opinion erronée encore que générale, étaient auparavant déterminés forfaitairement et non pas réellement (v. notre livre, La Réforme fiscale, p. 8, p. 34 et s.; notre article, La Réforme fiscale-Impôts directs, Semaine Juridique 1949-I-766 et 797). Insistons davantage sur la détermination des bénéfices agricoles puisque nous avons dénoncé le privilège dont jouissaient, à cet égard, les paysans. Auparavant le bénéfice agricole était calculé, pour chaque espèce de cultures, en multipliant le revenu foncier (lequel était déjà lui-même évalué forfaitairement) par un coefficient fixé par des commissions paritaires (v. supra, cette Revue, p. 140). Désormais le bénéfice agricole est détaché du revenu foncier puisque, pour chaque catégorie d'exploitations, les mêmes commissions fixent un bénéfice „moyen" (v. notre livre, La Réforme fiscale, p. 41 et s. et notre article, La Réforme fiscale-Impôts directs, Semaine Juridique 1949-I-766 et 797). Mais, en contre-partie de cette évaluation plus précise de la matière imposable, la réforme a réduit les taux, du moins dans l'impôt des personnes physiques car le tarif de l'impôt des personnes morales est de 24 % (ce taux est celui, en général, de l'impôt cédulaire sur les bénéfices commerciaux auquel étaient assujetties la plupart des personnes morales et notamment les sociétés de capitaux). Le taux de la taxe proportionnelle est de 18 %, donc unique (cela se rattache à la simplification) et modéré alors que les tarifs des impôts cédulaires étaient multiples et, pour la plupart d'entre eux, supérieurs, (le taux le plus élevé était celui de l'impôt cédulaire sur les revenus mobiliers qui était, en moyenne, de 30 %). Et les tarifs de la surtaxe progressive ont été allégés par rapport à ceux de l'impôt général qui était, lui, aussi, une contribution progressive (v. notre ouvrage, La Réforme Fiscale, p. 100, 119 et 162; notre article, La Réforme fiscale-Impôts directs, Semaine Juridique 1949-I-766 et 797).

Les mêmes tendances se retrouvent dans les *droits d'enregistrement*

sur les mutations (à titre gratuit comme à titre onéreux) où la matière imposable est constituée, en principe, par la valeur vénale des biens transmis. En contre-partie d'une réduction des taux des droits proportionnels (mutations à titre onéreux) et des droits progressifs (mutations à titre gratuit), la réforme a perfectionné l'évaluation forfaitaire et l'évaluation réelle dont le domaine respectif est déterminé selon la nature des biens. Et, s'agissant notamment de l'évaluation réelle (par exemple, prix de vente d'un immeuble), elle a renforcé le contrôle afin de combattre cette fraude qu'est l'insuffisance de déclaration du prix (v. notre livre, La Réforme fiscale, p. 284 et s., 302 et s.; l'article signé L. H., La Réforme fiscale-Droits d'enregistrement, Semaine Juridique 1949-I-763).

2° - La *codification de la législation* fut l'oeuvre, en grande partie, des décrets d'avril 1950 et, en petite partie, des décrets-lois de décembre 1948. A cet égard, les auteurs de la réforme ont voulu remédier à deux des maux que nous avons signalés: la complexité (et pour guérir ce mal, la codification s'associe à la simplification) et, dans une moindre mesure, la mobilité de la réglementation.

Actuellement, il n'y a plus que *deux codes fiscaux:* d'une part, le Code des douanes qui, remplaçant l'ancien Code du même nom, est contenu dans de décret-loi du 8 décembre 1948; d'autre part, le Code général des impôts qui, substitué à tous les anciens codes fiscaux (à l'exception de celui des douanes), figure dans les décrets du 6 avril 1950. Réserve faite de la terminologie employée (car les droits de douane s'analysent, qu'on le veille ou non, en des impôts d'autant que toutes les contributions, et non pas seulement les droits de douane, poursuivent des fins extra-financières, économiques, sociales, voire même politiques), cette dualité formelle de la codification correspond à la dualité organique de l'administration — direction générale des impôts et direction générale des douanes — créée au début de 1948 (v. supra, cette Revue, p. 129), la première s'expliquant par la seconde.

Ces deux codes englobent-ils l'absolue totalité de la réglementation fiscale *lato sensu?* Non. Et, en répondant négativement, nous amorçons la critique de la réforme.

§ 3 - *Critique de la réforme*

Beaucoup de spécialistes et, parmi eux, les plus éminents, particulièrement notre ami le Pr LAUFENBURGER, n'ont vu que les vices de la réforme qu'ils ont violemment attaquée à tous égards. Disons-le sans ambages: nous ne partageons pas complètement leur opinion. Certes, la réforme présente des défauts. Et ils sont nombreux et importants. Mais elle a aussi des qualités qui ne s'avèrent ni rares ni

négligeables. Notre propos est de relever, aussi objectivement que possible, les unes et les autres. Il reste toutefois que, sur le plan de la codification et, davantage encore, sur celui du remaniement, les défauts l'emportent sur les qualités. Et c'est pourquoi nous mettrons l'accent plutôt sur ceux-là que sur celles-ci en distingguant *l'insuffisance* de la réforme telle qu'elle a été réalisée par les décrets eux-mêmes et le *„sabotage"* de la réforme par les lois ultérieures (il s'agit aussi bien de celles publiées après les décrets-lois de décembre 1948 que de celles publiées postérieurement aux décrets d'avril 1950).

1° - *Insuffisance de la réforme*

Certes, les auteurs de la réforme — et la lecture des exposés des motifs qui précèdent le corps des décrets le montre — ont diagnostiqué deux des maux dont souffrait notre fiscalité: la complexité de la législation fiscale et l'inégalité de la charge fiscale..... Et liant ces maux, ils en ont aussi lié les remèdes, à savoir la simplification de la législation fiscale et l'égalisation de la charge fiscale dont ils ont dit qu'elles étaient „les deux lignes de force de la réforme" se conditionnant mutuellement.

Mais outre qu'ils ont négligé, volontairement ou involontairement, les deux autres maux — lenteur des recouvrements fiscaux et surtout mobilité de la réglementation fiscale — ils ont manqué et de franchise et d'audace dans le traitement de la complexité de la législation fiscale et de l'inégalité de la charge fiscale. En un mot, la réforme est insuffisante.

Cette *insuffisance* se manifeste à trois égards: illégalités, lacunes et hypocrisies de la réforme.

En premier lieu, illégalités. Les décrets, d'où résulte la réforme, s'analysent les uns en décrets-lois, les autres en décrets ordinaires. Il est certain que les décrets de décembre 1948 sont, du point de vue juridique, des décrets-lois puisqu'ils pouvaient modifier et même abroger des lois. Pratiquement, leur validité ne paraît pas contestable non seulement tant par rapport à la loi de 1948 que par rapport à la Constitution de 1946 (v. notre article, La Réforme fiscale-Considérations générales, Semaine Juridique 1949-I-762). Car, si cette loi est contraire à cette Constitution, ces décrets sont, eux, conformes à cette loi. Or, les tribunaux français qui acceptent de contrôler la régularité des décrets-lois vis-à-vis de la loi de „délégation" se refusent au contraire à contrôler la régularité de la loi de „délégation" vis-à-vis de la Constitution (rappelons qu'il n'y a pas, en France, de contrôle juridictionnel des lois) et, par suite, à contrôler la régularité des décrets-lois vis-à-vis de la Constitution. Mais il n'en demeure pas moins que, théoriquement, les décrets de décembre 1948 sont contraires à la Constitution puisque celle-ci interdit toute délé-

gation, même partielle, du pouvoir législatif (Les passionnés débats, auxquels a donné lieu la loi de 1948 dans les enceintes parlementaires, ne laissent aucun doute sur cette violation constitutionnelle qu'est la loi de 1948). Il est d'ailleurs infiniment regrettable — et ce grief d'ordre politique aggrave le reproche d'ordre juridique -— que le Parlement oublie que sa tâche essentielle, celle qui fut à l'origine même de la naissance des assemblées représentatives, est de voter les lois d'impôts. Les mêmes observations valent pour les décrets d'avril 1950, du moins pour le principal d'entre eux. Il existe en effet quatre décrets et un arrêté du 6 avril 1950 relatifs, tous, à la codification. Celle-ci contient le Code et ses annexes. Seules les dispositions „législatives" — il s'agit des lois et des décrets-lois, notamment des deux décrets-lois combinés du 9 décembre 1948 — figurent dans le Code proprement dit, oeuvre d'un des quatre décrets du 6 avril 1950. Les prescriptions „réglementaires" (décrets ordinaires, arrêtés ministériels) sont réparties dans 4 annexes. Trois annexes — oeuvres des trois autres décrets du 6 avril 1950 — concernent les trois catégories de mesures réglementaires issues des décrets ordinaires (entendez par là tous les décrets généraux autres que les décrets-lois) lesquels sont hiérarchisés selon le rôle joué par le Conseil d'Etat (considéré alors comme organe consultatif et non comme organe juridictionnel) dans leur élaboration: ces trois annexes contiennent donc respectivement les décrets ordinaires pris après avis de l'assemblée générale du Conseil d'Etat (on les appelle: règlements d'administration publique), les décrets ordinaires pris après avis d'une section (celle des finances) du Conseil d'Etat, et les décrets ordinaires pris sans avis du Conseil d'Etat. La quatrième annexe, oeuvre de l'arrêté ministériel du 6 avril 1950, concerne les arrêtés ministériels. Or, des 5 textes du 6 avril 1950, le problème de validité ne se pose que pour le décret relatif au code proprement dit car le Gouvernment pouvait valablement, sans délégation législative, codifier en les modifiant les dispositions réglementaires contenues dans les décrets ordinaires et les arrêtés ministériels à la seule condition — qu'il a d'ailleurs respectée — de le faire par des actes semblables quant à leur forme (par exemple: codifier et modifier les décrets ordinaires pris sur avis de la section de finances du Conseil d'Etat par un décret ordinaire rendu après observation de la même formalité). C'est donc seulement la régularité du décret concernant le Code *stricto sensu* qui est discutable (v. la chronique du Pr Trotabas, Dalloz 1950, 25ème cahier). Et elle l'est non seulement du point de vue théorique mais encore du point de vue pratique. Elle l'est théoriquement dans la mesure, fort grande, où ce décret reproduit en les „harmonisant" les dispositions des deux décrets-lois du 9 décembre 1948: dans cette mesure, il est, lui aussi, inconstitu-

tionnel d'autant qu'il s'analyse également en un décret-loi (en dépit de son étiquette de décret ordinaire) puisque, en lui donnant pour mission d'harmoniser les deux décrets-lois du 9 décembre 1948, la loi du 31 décembre 1948 lui attribuait, dans cette mesure, le pouvoir de les modifier (le critère de distinction entre décrets-lois et décrets ordinaires est en effet que les premiers peuvent, à la différence des seconds, corriger ou abroger des lois ou des décrets-lois dans la limite des lois de „délégation"). Et surtout elle l'est pratiquement à deux égards. D'ùne part, certaines dispositions du décret paraissent contraires à la loi du 31 décembre 1948 qui ne prévoyait que la mise en harmonie des deux décrets-lois du 9 décembre 1948 (et, plus précisément, car elle était à sens unique, de celui qui n'avait pas été publié avec celui qui avait été publié): le décret contient en effet quelques prescriptions qui ne figuraient ni dans l'un ni dans l'autre desdits décrets-lois et qui sont étrangères à leur mise en harmonie. D'autre part, toutes les prescriptions du décret semblent contraires à la loi du 2 janvier 1950 qui avait fixé au 10 avril 1950 la date-limite de publication du décret: or, celui-ci n'a été publié que le 30 avril 1950 (v. notre article, Aperçu sur la codification fiscale, Revue de science et de législation financières, 1950, nº 3). Cette double illégalité fait peser une incertitude sur le sort du décret puisque le juge de l'impôt, qu'il s'agisse des Tribunaux judiciaires ou des Tribunaux administratifs, a le pouvoir de contrôler la „légalité" des décrets y compris les décrets-lois (pour ces derniers, il s'agit de leur validité par rapport à la loi de délégation). Et cette incertitude est d'autant plus déplorable que la codification réalisée par ce décret est, comme nous allons le constater, la partie la plus satisfaisante de la réforme fiscale.

En second lieu, lacunes. Car la réforme ne touche pas ou presque pas à des domaines importants. Ce grief s'adresse déjà à la *codification* de la législation (nous visons les deux codes actuels) qui, si elle a le mérite d'être plus complète que les codifications de 1926, de 1934 et de 1941, lesquelles ne contenaient, en principe, que les prescriptions législatives à l'exclusion des dispositions réglementaires, n'est pas encore totale puisqu'elle ne contient pas les régimes spéciaux qui demeurent applicables dans certaines parties du territoire français: par exemple, on y chercherait vainement la réglementation propre aux impôts locaux d'Alsace-Lorraine. Mais ce reproche affecte surtout le *remaniement* de la législation qui, sur des points importants, n'a subi que de modestes retouches.

Presque rien sur le contentieux. On s'est contenté d'atténuer légèrement son extrême diversité en rapprochant, de la procédure à laquelle obéissent les contestations d'impôts directs, la procédure qui gouverne les litiges d'impôts indirects notamment lorqu'il s'agit des procès

concernant le recouvrement des impôts indirects (v. notre livre, La réforme fiscale, p. 220 et p. 351). Il y avait là, d'après les rédacteurs des décrets, une amorce de l'unification du contentieux fiscal qu'ils auraient désiré attribuer en bloc aux Tribunaux administratifs. Désir qui n'est pas devenu réalité, puisque la réforme n'a point modifié les règles, dont nous avons dénoncé la complexité (cf. supra, cette Revue, 1949, p. 130 et 131), de répartition des compétences entre les Tribunaux administratifs et les Tribunaux judiciaires.

Presque rien non plus sur les administrations fiscales. La réforme n'a fait que développer leur collaboration en multipliant les commissions mixtes où figurent des fonctionnaires appartenant aux diverses régies (citons, à titre d'exemple, la commission créée pour évaluer la matière imposable aux droits d'enregistrement sur les mutations: v. notre livre, La Réforme fiscale, p. 303) et en attribuant des pouvoirs identiques, vis-à-vis de tous les impôts (directs et indirects), aux agents des différentes administrations. Ce serait là, selon les rédacteurs des décrets, un développement de la fusion des régies inaugurée en avril 1948, par la création de la direction générale des impôts et le maintien de la direction générale des douanes (v. supra, cette Revue, 1949, p. 129). Mais, encore incomplète sur le plan central, la fusion n'a pas été réalisée sur le plan local où les régies demeurent indépendantes avec leurs propres directions départementales.

Presque rien enfin sur les contributions locales. Et c'est là, selon nous, la plus grosse lacune.

La réforme n'a guère porté en effet que sur les impôts étatiques. Encore faut-il remarquer que certains groupes de contributions étatiques — telles les „taxes" sur le chiffre d'affaires («taxe» à la production et «taxe» sur les transactions) qui, par leur complexité, sont cependant des monstres — n'ont subi que des retouches minimes. Des nombreux impôts des collectivités locales (départements et communes), deux seulement, celui additionnel aux „taxes" étatiques sur le chiffre d'affaires et celui additionnel aux droits étatiques d'enregistrement, avaient été visés par le décret-loi du 9 décembre 1948 relatif au remaniement des impôts: le premier fut modifié et le second supprimé (nous verrons que, même sur ces deux points, la réforme a été sabotée par des lois postérieures). Sans doute, cette grave lacune car la fiscalité locale constitue (v. supra, cette Revue, 1949, p. 132) le secteur le plus vétuste des contributions françaises, n'existait-elle pas dans la rédaction primitive du décret-loi qui, s'il ne touchait pas aux taxes *stricto sensu* (prix d'un service), remplaçait en revanche tous les anciens impôts, à l'exception de 3 qu'il conservait, par 3 nouveaux impôts. Mais la rédaction définitive du

décret-loi avait abandonné cette refonte d'ensemble de la fiscalité locale. Pourquoi? Parce que le Gouvernement n'ignorait pas que celle-ci eût été rejetée par les députés et sénateurs. Et le Gouvernement a préféré la reprendre séparément dans un projet de loi qui a été présenté, en juillet 1949, au Parlement qui l'a enterré sans tambours ni trompettes! Ainsi constate-t-on une fois de plus — et il faut le dire à la décharge du Gouvernement — que le Parlement est, en grande partie, responsable des lacunes de la réforme: son incapacité de construire et sa capacité de détruire ont empêché le Gouvernement de montrer plus d'audace comme elles l'ont obligé à se conduire avec plus d'hypocrisie — n'ayons pas peur des mots — en masquant, aux yeux des contribuables, la portée réelle de certaines mesures.

En troisième lieu, hypocrisie. A lire les déclarations gouvernementales — notamment les exposés des motifs précédant le corps des décrets — on pourrait en effet être trompé sur l'ampleur de la réforme. Car ses auteurs ont présenté, comme considérables, des modifications qui, sans être négligeables, sont cependant secondaires et ils ont même „travaillé" les textes pour accentuer pareille impression dans l'esprit des contribuables devenus impatients à force d'attendre la „révolution" fiscale toujours promise et jamais réalisée. C'est ainsi que la réforme présente, sur plusieurs points pratiques importants, un caractère plus apparent que réel. Attitude d'autant plus déplorable qu'elle a eu pour conséquence l'adoption de mesures „transitoires", spécialement en matière d'impôts sur les revenus (v. notre article, La Réforme fiscale-Impôts directs, op. cit.), destinées à jeter un pont entre l'ancien et le nouveau régimes, mesures transitoires dont l'étendue aurait pu être moins grande et la durée plus courte si la réforme n'avait pas été, dans une large mesure, fictive.....

La prétendue originalité de la nouvelle taxation des revenus est très exagérée tant en ce concerne la séparation entre l'impôt des personnes morales et l'impôt des personnes physiques qu'en ce qui concerne l'unité de ce dernier. Les auteurs des décrets voient, dans la taxe proportionnelle et la surtaxe progressive, les „deux éléments d'une même contribution", à savoir l'impôt sur le revenu des personnes physiques. Vue absurde. Car ce sont là deux contributions au statut différent qui se superposent comme se superposaient les anciens impôts cédulaires et l'impôt général. La surtaxe progressive n'est autre chose que l'impôt général légèrement modifié: il n'y a guère qu'un changement d'étiquette. Et la fusion des impôts cédulaires en une taxe proportionnelle n'est que très partielle: elle se manifeste essentiellement, sinon seulement, dans le taux unique. Car les revenus qui composent le revenu „global" soumis à la taxe proportionnelle, restent divisés, pour leur détermination, en catégories, de sorte que s'il n'y

a plus d'impôts cédulaires, il y a encore des revenus cédulaires. Il n'est même pas entièrement exact de prétendre que les impôts cédulaires ont complétement disparu car ils survivent partiellement dans les régimes exceptionnels de la taxe proportionnelle. De ces régimes exceptionnels deux ont la „vedette": celui concernant la plupart des revenus salariés et celui relatif à la majorité des revenus mobiliers. Les revenus salariés demeurent soumis, comme auparavant, à une contribution patronale de 5 % (v. supra, cette Revue, p. 141) qui est dû par l'employeur et non par l'employé lequel est aujourd'hui exonéré (à concurrence des revenus salariés) de la taxe proportionnelle comme il l'était, hier, de l'impôt cédulaire (en revanche il est soumis à la surtaxe progressive comme il l'était à l'impôt général). Bien que d'après les textes, ce régime exceptionnel soit provisoire — nous croyons d'ailleurs qu'il deviendra définitif en raison du climat social — il maintient, au profit des salariés et surtout des gros salariés, un privilège de droit qui contredit l'une des „deux lignes de force" de la réforme à savoir l'égalisation de la charge fiscale. Et, en dépit des décrets, il est incontestable que la contribution patronale dite „versement forfaitaire" s'analyse en un impôt complètement autonome de la taxe proportionnelle. Les revenus mobiliers sont, eux aussi, soumis à un régime exceptionnel, survivance de l'impôt cédulaire remanié quant à l'assiette et au taux. D'où une mesure transitoire stipulant que, jusqu'à une date fixée par arrêté (lequel n'a pas encore été publié à l'heure où nous écrivons), la taxe proportionnelle sur les revenus mobiliers qui est un impôt direct sera recouvrée selon les règles auxquelles obéissait la perception de l'impôt cédulaire sur les mêmes revenus qui était un impôt indirect: si cette mesure transitoire a été possible c'est en effet parce que, malgré sa transformation d'indirect en direct cet impôt cédulaire a survécu dans la taxe proportionnelle dont il est devenu un régime spécial. Cette survivance existe même sur le plan des contribuables car à la taxe proportionnelle sur les revenus mobiliers sont assujetties, de même qu'elles l'étaient à l'impôt cédulaire frappant les mêmes revenus, personnes morales et personnes physiques, ce qui prouve, en outre, que la distinction entre l'impôt sur le revenu des personnes physiques et l'impôt sur le revenu des personnes morales n'est que très relative. Il existe en effet de nombreux liens entre ces deux contributions presque tous orientés dans le sens d'une subordination du second au premier. Certains résultent du caractère „fictif" des personnes morales car, derrière la façade de celles-ci, il n'existe, réellement, que des personnes physiques. C'est ainsi que les sociétés dites de personnes (sous-entendu: physiques) — et il s'agit précisément des sociétés dont le caractère fictif est le plus marqué — ne sont pas, à la différence des sociétés dites de capitaux, assujetties

obligatoirement à l'impôt sur le revenu des personnes morales. Elles ont un droit d'option: si elles n'optent pas pour la taxation, en leur nom, à cet impôt, leurs membres sont alors soumis, chacun pour sa part dans les bénéfices sociaux, à l'impôt sur le revenu des personnes physiques. D'autres liens proviennent de ce que la technique de l'impôt sur le revenu des personnes morales s'inspire de la technique de l'impôt des personnes physiques. C'est ainsi que le revenu global des personnes morales est déterminé, en principe, selon les règles qui gouvernent l'évaluation réelle des bénéfices commerciaux des personnes physiques. Un dernier lien — et ce n'est pas, selon nous, le moins curieux — naît du fait que les personnes morales peuvent être contribuables à l'impôt sur le revenu des personnes physiques en même temps qu'à l'impôt sur le revenu des personnes morales. Le cas le plus important et le plus fréquent est celui où une société est passible de la taxe proportionnelle à raison des revenus mobiliers dont elle est bénéficiaire (par exemple, société actionnaire d'une autre société). Or, ces revenus mobiliers sont incorporés dans le revenu global soumis à l'impôt des personnes morales. Et, afin d'éviter une double imposition, les textes stipulent qu'en pareil cas le montant de la taxe proportionnelle est déduit du montant de l'impôt des personnes morales (v. notre article, La réforme fiscale-Impôts directs, Semaine Juridique 1949-I-766 et 797).

A en croire les auteurs des décrets, la réforme aurait accéléré le recouvrement des contributions et spécialement des impôts directs. Or, sur ce point également, la réalité est très en deçà de l'apparence. Le principe demeure selon lequel les impôts directs ne sont exigibles, en bloc, qu'après l'émission des rôles qui les contiennent: seules les dates d'éxigibilité ont été avancées. Et les exceptions à ce principe qu'étaient les paiements anticipés (par rapport à l'émission des rôles), à savoir stoppage à la source et acomptes provisionnels n'ont pas gagné du terrain et, en un sens, ils en ont même perdu. Le stoppage à la source qui fonctionnait uniquement dans quelques impôts cédulaires ne joue que dans certains régimes exceptionnels de la taxe proportionnelle. Encore son domaine a-t-il été réduit puisqu'il ne s'applique pas à la taxe proportionnelle frappant des bénéfices non commerciaux (sauf lorqu'ils sont d'origine étrangère) alors qu'il s'appliquait à l'impôt cédulaire sur des bénéfices non commerciaux même quant ils étaient de source française.

Le procédé des acomptes provisionnels qui s'étendait à tous les impôts directs ne s'applique désormais qu'aux contributions sur les revenus: impôt des personnes physiques et impôt des personnes morales. Il ne joue plus pour les autres impôts qui sont principalement des contributions locales. A cet égard, son domaine a donc diminué. En revanche, il s'est développé dans le cadre des contribu-

tions sur les revenus. Et à vrai dire c'est là seulement que la réforme a réalisé un progrès dans l'accélération du recouvrement. S'agissant de l'impôt sur le revenu des personnes physiques — donc de la surtaxe progressive et de la taxe proportionnelle (lorsque celle-ci ne fait pas l'objet du stoppage à la source) — les acomptes, dont le nombre reste fixé à deux, ont été étendus et accélérés (v. supra, cette Revue, 1949, p. 150) Etendus: ils sont dûs par les contribuables ayant été taxés pour l'impôt sur le revenu des personnes physiques à une somme supérieure à 10.000 francs (au lieu de 20.000 francs) et ils sont égaux, chacun aux $^2/_5$ (et non plus au $^1/_3$) de ladite somme. Accélérés: ils sont respectivement exigibles le Ier novembre de l'année de réalisation des revenus (laquelle s'identifie désormais avec l'année d'imposition) et le Ier mars de l'année suivante. La réforme aurait pu adopter le même régime pour l'impôt sur le revenu des personnes morales. Mais cette solution eût semblé trop simple aux techniciens qui voulaient grandement simplifier la législation! Aussi le régime des acomptes provisionnels est-il différent dans l'impôt cas personnes morales. Celui-ci fait l'objet de quatre versements trimestriels égaux. Chacun de ces versements est le quart du produit provisoire de l'impôt calculé soit sur les $^4/_5$ du bénéfice global du précédent exercice (donc, en gros, de l'année précédente) soit, lorsqu'il s'agit d'une société nouvelle, sur le $^1/_{10}$ du capital social. Et ces acomptes, dûs par tous les contribuables, sont exigibles le 20 février, le 20 mai, de 20 août et le 20 novembre de l'année d'imposition laquelle s'identifie actuellement, comme dans l'impôt des personnes physiques, avec l'année de réalisation des revenus. Il nous faut expliquer la fin de cette phrase qui permet de comprendre l'accélération du recouvrement des contributions sur les revenus. Autrefois, les impôts cédulaires et l'impôt général étaient, en principe, assis sur les revenus de l'année précédente. Actuellement, l'impôt des personnes physiques et l'impôt des personnes morales frappent, chaque année, les revenus acquis pendant la même année. En d'autres termes, l'année d'imposition coïncide aujourd'hui avec l'année de réalisation des revenus alors qu' hier celle-ci précédait celle-là. De cette différence d'assiette résulte une différence de recouvrement: les acomptes provisionnels sont payés au cours de l'année pendant laquelle les revenus sont réalisés, de sorte que dans cette mesure, il y a moins d'écart entre la naissance de la matière imposable et le paiement de la contribution correspondante (v. supra, cette Revue, 1949, p. 147).

„La résorption de la fraude reste, on ne saurait trop le répéter, la clé de voûte d'une réforme dont on ne voudrait pas qu'elle fût illusoire". Voilà entre cent autres, un propos des rédacteurs des décrets sur l'extrême nécessité de combattre vigoureusement la dissi-

mulation fiscale. Mais, ici encore, les mesures prises n'ont pas permis d'atteindre le but recherché. Et cela pour deux raisons. D'abord, parce que les conditions indispensables à la lutte contre la fraude — à savoir la simplification de la législation fiscale et l'allègement de la charge fiscale — n'ont pas été pleinement réalisées. Ensuite, parce que les procédés employés pour combattre la dissimulation (renforcement du contrôle et aggravation des pénalités) ont été inefficaces en raison soit de leur non application, soit de leur mauvaise application. C'est ainsi, par exemple, que l'activité des agents du „contrôle unique" est curieusement paralysée par leur propre faute. Le contrôle unique est effectué, chez un contribuable soupçonné de fraude, à la fois pour les impôts directs et les impôts indirects, par une brigade de plusieurs fonctionnaires dont chacun est spécialisé dans une catégorie d'impôts ou par un seul agent dit „polyvalent" parce qu'il est censé connaitre toutes les catégories d'impôts. Combiné avec le casier fiscal unique, le contrôle fiscal unique serait un excellent moyen de lutte contre la dissimulation si son emploi était généralisé et correct. Malheureusement, son application — encore rare — a été désastreuse. Il a pris un mauvais départ. Car, en raison du nombre insuffisant des fonctionnaires des administrations fiscales, le Gouvernement a fait appel, pour assurer le contrôle unique, à des agents de la police économique dont les méthodes, qui ont fait leur preuve pendant la guerre, sont celles d'une basse police. Les quelques „descentes" qu'ils ont effectuées chez certains contribuables, accusés à tort ou à raison, de „marché noir" et de fraude fiscale ont provoqué un débat au Parlement qui pour une fois, a défendu les intérêts des citoyens-contribuables en interdisant à la police économique de s'immiscer dans le contrôle fiscal et en demandant que celui-ci soit exercé avec modération, dans le cadre des garanties légales accordées aux libertés individuelles, uniquement par les fonctionnaires des règles fiscales à la haute compétence et au dévouement compréhensif desquels le Parlement a rendu hommage. C'est au cours de ce même débat que Monsieur PETSCHE, Ministre des finances, a évalué la fraude en 1950 à 500 milliards (de matière imposable) au minimum (v. La Revue, Droit fiscal, 1950, No. 13, p. 4), alors que Monsieur PHILIP, ancien Ministre des finances, l'avait évaluée en 1946 à environ 150 milliards (v. supra, cette Revue, 1949, p. 142). Quel progrès de la dissimulation! Et y a-t-il une meilleure preuve de l'inefficacité des remèdes jusqu'ici adoptés? Il est vrai que nos gouvernants ont enfin trouvé le remède infaillible: par une loi du 31 janvier 1950 et un décret du 10 février 1950, ils ont institué" une commission de lutte contre la fraude fiscale" chargée d'établir „un plan" ayant la même étiquette! (v. la Revue, Droit fiscal, 1950, no. 5, p. 2). Nous craignons que cette

commission, dans la mesure où elle est capable de faire quelque chose, ne travaille moins à combattre la dissimulation qu'à saboter, plus encore, la réforme. Nous disons: plus encore, car le sabotage a commencé aussitôt que la réforme a été réalisée.

B - *Sabotage de la réforme*

De nombreux textes, législatifs et réglementaires, ont été publiés depuis le Ier janvier 1950 — date à laquelle sont entrés en vigueur deux des trois décrets de décembre 1948 — et même depuis le Ier mai 1950 — date à laquelle sont entrés en vigueur les décrets d'avril 1950. Il est impossible — et ce serait d'ailleurs fastidieux — de les énumérer tous. Nos lecteurs pourraient, si la chose les intéressait, en trouver la liste soit dans la „Revue de science et de législation financières" dirigée par le Professeur Henry Laufenburger soit dans „Droit fiscal", revue dirigée par MARCEL MARTIN, Maître des Requêtes au Conseil d'Etat (celle-ci a été fondée en septembre 1949). Sans doute ces textes n'ont-ils pas détruit la réforme réalisée par les décrets de décembre 1948 et d'avril 1950. Mais tous la sabotent plus ou moins soit en modifiant ses dispositions, soit même — et ce n'est point là un paradoxe — en les complétant.

Il est des textes — et ce sont des lois et des décrets-lois — qui ont un caractère „rétrograde" (et aussi rétroactif) en ce sens qu'ils reviennent aux errements antérieurs à la réforme. Quelques exemples, choisis parmi les plus caractéristiques, de ce retour en arrière. Certaines lois ont augmenté ou créé des contributions, contredisant ainsi la tendance de la réforme à l'allègement de la charge fiscale. Une des lois du 31 décembre 1948 — car il y a quatre lois fiscales du 31 décembre 1948! — a majoré d'un décime et demi le taux de la plupart des impôts indirects (et notamment les croits d'enregistrement) et même de 2 décimes et demi les tarifs de la taxe à la production, le plus considérable de tous les impôts indirects. Une loi du 31 janvier 1950 a maintenu, pour l'année 1950, ces majorations primitivement limitées à l'année 1949, en portant à trois décimes et demi celle relative à la taxe à la production dont le taux général est ainsi de 13.50 (10 + 3,5). Cette loi du 31 janvier 1950 a institué, pour 1950, à la charge des sociétés, une „taxe" sur les bénéfices réalisés (en 1949) et non distribués qui, au taux de 10 %, s'ajoute à l'impôt sur le revenu des personnes morales. Il ne s'agit là, paraît-il, que de mesures temporaires. Mais l'on sait, par expérience, que les adjectifs „temporaire" et „permanent" n'ont guère de sens pour le législateur fiscal: la loi du 31 janvier 1950 n'a-t-elle pas prorogé, en les aggravant même, les décimes institués par la loi du 31 décembre 1948? Une autre loi du 31 décembre 1948 a rétabli, à titre permanent, l'impôt local additionnel aux droits étatiques

d'enregistrement que la réforme avait supprimé. Les lois du 5 juillet 1949 et du 31 décembre 1949 ont bouleversé l'impôt local additionnel aux „taxes" étatiques sur le chiffre d'affaires que la réforme avait remanié. Deux lois du 31 juillet 1949 — de sorte qu'après comme avant la réforme, les lois fiscales vont par deux ou par quatre! — ont modifié la taxe proportionnelle (impôt sur le revenu des personnes physiques): elles ont remplacé la nouvelle évaluation réelle des revenus fonciers — du moins de ceux des immeubles non bâtis — par l'ancienne évaluation forfaitaire (le Parlement avait même envisagé le rétablissement de la contribution foncière non bâtie c'est-à-dire de l'impôt cédulaire sur les revenus fonciers en tant qu'il frappait les propriétés non bâties); elles ont corrigé la nouvelle évaluation forfaitaire des bénéfices agricoles en s'inspirant de l'ancienne (les commissions doivent en effet fixer le bénéfice „moyen" sur la base du revenu foncier); elles ont réintroduit, pour certains revenus — notamment pour les plus-values dont le régime est extrêmement compliqué, des taux exceptionnels de 9 % et de 6 %, dérogatoires au taux principal de 18 %. Enfin — et c'est le comble — une loi du 8 août 1950 a donné le pouvoir de prendre, dans un certain délai (deux mois) et sous des conditions déterminées (après avis des Commissions des finances du Parlement), des décrets qui, pouvant opérer des „allégements fiscaux", s'analysent en décrets-lois. Sur la base de cette loi de „délégation", ont été pris des décrets-lois du 18 septembre, du 6 octobre et du 7 octobre 1950 qui modifient le Code général des impôts (v. la revue Droit fiscal, 1950, nos 19 et 20). Tous ces textes législatifs modifient la réforme en contrariant sa tendance — qui était bonne — à la simplification de la législation fiscale. Et ils se contredisent eux-mêmes puisque les uns — il s'agit des lois — aggravent la charge fiscale tandis que les autres — il s'agit des décrets-lois — l'allègent. Ainsi retombe-t-on dans les errements antérieurs dont nous avons dénoncé la nocive incohérence (v. supra, cette Revue, 1949, p. 135).

Il est aussi des textes — et cette fois, ce sont des décrets ordinaires autant que des décrets-lois et des lois — qui ne figurent pas dans le code et ses annexes parce qu'ils ont été publiés postérieurement. A la différence des lois et des décrets-lois qui modifient les dispositions du décret-loi du 9 décembre 1948 portant réforme fiscale, les décrets ordinaires complètent des prescriptions du même décret-loi. Il a donc fallu presque deux ans pour sortir ces décrets ordinaires qui, de ce fait, n'ont pu, en dépit de leur importance (par exemple, celui du 2 août 1950 concerne l'évaluation des revenus mobiliers dans le cadre de l'impôt des personnes physiques et celui du 12 août 1950 vise l'imputation de l'impôt des personnes physiques — taxe proportionnelle — sur l'impôt des personnes morales) n'ont pu

prendre place dans les annexes du code. Aussi la codification a-t-elle déjà perdu une partie de son intérêt. Et ce n'est par tout: au Journal officiel du 25 août 1950, nous trouvons plusieurs pages de „rectificatifs" au code et à ses annexes! Pareille constatation rend superflu tout commentaire [2]).

Ces critiques sur l'insuffisance comme sur le sabotage de la réforme de 1948—1950 montrent déjà que les projets privés d'une refonte fiscale — même ceux antérieurs à cette „réforme" — n'ont point entièrement perdu leur intérêt actuel.

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[2]) A la date à laquelle nous corrigeons les épreuves de la suite de cet article — soit le 1er mars 1951 — de nouveaux textes (cf. la Revue „Droit fiscal", 1951, nos 1 à 4) sont intervenus qui ont saboté davantage la réforme fiscale de 1948—1950: il s'agit notamment — car nous ne pouvons en citer que les principaux — des lois du 31 décembre 1950 et du 8 janvier 1951. La loi du 8 janvier 1951 a augmenté les tarifs de nombreux impôts: droits d'enregistrement (principalement droits proportionnels sur les mutations à titre onéreux) dont les taux, déjà majorés d'1 décime et ½ par les lois du 31 décembre 1948 et du 31 janvier 1950, ont été encore majorés de 2 décimes (cette nouvelle majoration de 20 %, qui est temporaire, s'ajoute à l'ancienne majoration de 15 % qui, de temporaire qu'elle était, devient permanente puisqu'elle est „incorporée" aux taux de ces impôts); „taxe" à la production dont le taux général, déjà majoré de 3 décimes et ½ par les mêmes lois, a été encore majoré d' 1 décime de sorte que ce taux général est de 14.50 % à titre permanent (sic) car ces majorations, nouvelle comme ancienne, lui ont été incorporées; impôt sur le revenu des personnes morales dont le taux passe de 24 % à 34 %, en compensation (sic) de la non reconduction de la „taxe" sur les bénéfices non distribués des sociétés qui était de 10 %, solution doublement intéressante pour le Fisc puisque la néation de la „taxe" n'était que temporaire tandis que l'augmentation de l'impôt est permanente et puisque l'assiette de l'impôt est plus large (tout vis-à-vis des contribuables qu'à l'égard des bénéfices) que celle de la „taxe". Quant à la loi du 31 décembre 1950, si elle n'a point modifié la perception, par acomptes provisionnels, de l'impôt sur le revenu des personnes morales (cette perception avait déjà, il est vrai, été retouchée par des décrets du 12 août et du 6 octobre 1950), en revanche elle a remanié le recouvrement, par acomptes provisionnels, de l'impôt sur le revenu des personnes physiques (taxe proportionnelle et surtaxe progressive): les acomptes, dont le nombre resté fixé à 2, sont dus par les contribuables ayant été frappés, dans les rôles de l'année précédente relatifs à l'impôt sur le revenu des personnes physiques, par une imposition supérieure à 20.000 francs; égaux chacun au ½ de ladite somme, ils sont respectivement exigibles le 1er février et 1er mai — pratiquement le 15 février et le 15 mai — de l'année suivant l'année d'imposition (cette dernière coïncidant avec l'année de réalisation des revenus). Vous remarquerez que cette loi revient au régime antérieur à la réforme fiscale de 1948—1950 (v. supra, cette Revue, 1949, p. 150). Et telle est d'ailleurs la tendance générale des lois du 31 décembre 1950 et du 8 janvier 1951: retomber dans les anciens errements c'est-à-dire ranimer les maux — dans la mesure, très limitée, où la réforme fiscale de 1948—1950 les avait affaiblis. Ainsi renaissent, en progressant même, la complexité et la mobilité de la législation fiscale, la lourdeur de la charge fiscale, voire la lenteur des recouvrements fiscaux!

ERP AND GOVERNMENT FINANCES OF THE PARTICIPATING COUNTRIES

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A - GENERAL RECOVERY

The United States, aware of the fact that Western European recovery had to be speeded up for political, economic, and humanitarian reasons, made a financial effort unique in World History to help the European nations to overcome the crippling effects of this most costly war yet fought.

The following tabulation, based on data of the Department of Commerce's Clearance Office for Foreign Transactions, shows the latest data available for the aid given by the United States Government to the ERP countries [1]) provided in the form of grants and credits (in millions of dollars) since the end of the war:

TABLE I

Item	Total end of war to Dec. 1949	Before the Marshall plan period	During the Marshall plan period	ERP only
Total Aid	18628	10675	7953	6033
Grants	10147	3383	6764	5132
Credits	8482	7293	1188	901

The effect of this support, which was not only a material addition of goods and services but a moral uplift for the European peoples during their difficult economic struggle and great sacrifices in the war-peace transition period, may best be gauged by the data on „Total Supplies and Services in Western Europe", as published by

[1]) The ERP countries are: Austria, Belgium, Denmark, France, Germany (Federal Republic), Greece, Iceland, Ireland, Italy, Luxemburg, Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, Trieste, and the United Kingdom.

the Organisation for European Economic Cooperation in „European Recovery Programms" *Second Report of the OEEC,* Paris, February 1950 (p. 54). The data are expressed in billions of United States dollars and 1948 prices as follows:

TABLE II

Billions of dollars at 1948 prices

	1938	1947	1949
Output of goods and services in Western Europe .	152	130	160
Plus import surplus of goods and services paid for by net income from overseas investments	3	—	—
Plus import surplus of goods and services paid for by borrowing, grants, and running down of reserves	—	8	4
Total supplies of goods and services in Western Europe	155	138	164
These have been used as follows:			
For private and governmental investment (in factories, machinery, houses, etc.)	23	25	30
By governments (for defence, administration, health and education services, etc.)	18	20	21
By private consumers (food, clothing, etc.) . . .	114	93	113
Total . . .	155	138	164

The figures show that the prewar volume of goods and services produced was surpassed in 1949, even exclusive of the amounts granted or borrowed from abroad.

That this recovery of the economy in general had also beneficial influences on its governmental sector is natural. Government finances have been subject to the strain of the war and postwar impact more than any other sector of the economy — except for actual physical destruction. High expenditure for physical and economic damages resulting from war on the one hand and the reduced ability to finance the pressing governmental needs, because of a total upset of the production machinery, increased the inflationary pressure during the first few years after the end of the war. Only an increase of goods available to a population hungry equally for food, goods, and housing, together with a firm and skillful financial policy, enable a government to bring its financial house in order. Naturally, each country had to cope with a different situation with regard to physical destruction, available reserves, and war-weariness, and have to solve the problem of the consolidation of its financial situation in its own way, according to political considerations, actual needs, feasibility of political devices, attitude and philosophy of the population toward the government, and political parties in power. In some countries

after the very bad years of 1946 and 1947, a straight dis-inflationary policy was possible because the people cooperated closely with their government from the beginning, accepting willingly the sacrifices of a strict austerity program, and the discomforts of price and wage controls and rationing, in order to hold the line against inflation. Other countries had to go through quite an inflationary ordeal, until it became politically possible to apply the rules of sound economic and financial policy. Three countries, Greece, France, and the Netherlands were for some years after VJ-Day involved in costly warfare operations, which certainly did not help in the restoration of financial stability. But the most recent data show that the situation of the inflationary pressure, as well as the government finances are at least „under control".

In April 1950 the Economic Cooperation Administration issued a Special Report on *Central Government Finances in the Participating Countries,* showing the development of revenue, expenditure, and gross debt outstanding in the Western European countries for the fiscal years ending during the period 1947 to 1950.

The beneficial influence which ERP had on the recovery of the participating countries as a whole is especially reflected in the government finance data. Financing of government needs by employing the printing presses, widely applied during 1946 and 1947, has now disappeared almost in all ERP countries. The stop of the inflationary spiral permitted an improvement of the tax collection methods and the introduction of more efficient tax legislation. The growth of the national income created a real increase of the tax proceeds, despite the out-back of certain excessive war taxes. The expenditures, on the other hand, lost their „run-away" momentum which, because of the inflationary trend, they had shown in the early postwar period and became „manageable" again. Thus, in combination with the rise in revenue, the stabilized expenditure contributed to either a decline of the deficits or to actual surpluses and helped in the reduction, or at least stabilization of the debt of the governments.

Two factors can share responsibility for the improvements of the government finances, the Marshall Plan and the financial policy of the receiving governments. The ERP helped substantially to improve production and national income, thus creating during the short two years of its operation the economic „climate" which is favorable for financial reforms and improvements. The European governments as a whole utilized the time wisely and brought their financial house in order. This order certainly is still far from ideal. Some of the measures taken are merely of a stop-gap nature. There are still quite a few capital levies or other extraordinary taxes in use. Furthermore, in some countries the tax burden is said to be

excessive, hampering saving and investment. The devaluation of the exchange rates which caused a rise in wholesale prices and cost of living indexes requires additional adjustments toward a new level of stability, which will have to be coped with in the field of government expenditure and revenue. Nevertheless, the governments achieved after 1947 almost complete removal of the danger of inflation originating from government finances. This accomplishment of course, required substantial sacrifices on the part of the population. It can be said with certainty that the overall tax burden (inclusive of local government and social security taxes) in almost every one of the participating countries is higher, when measured in terms of national income, than in the United States. Considering the fact that the United States has the highest per capita national income, the actual burden of government taxes weighs even heavier in the other countries than is indicated by the simple comparison of ratios of taxes to national income.

B - TRENDS IN FINANCIAL POLICY

Although the trend in all participating countries runs generally toward balanced budgets, or at least toward sharply reduced deficits, there are no two countries in which the problem of consolidation or improvement of the financial situation was solved in the same way. Each country adopted the system which was best suited for its own financial set-up. However, there are a few outstanding devices adopted in a number of countries which helped in particular to improve the financial situation.

1. *On the Revenue Side*

a - *Taxes on Income:* In some of the European countries, taxation on income was inefficient with regard to both tax structure and collection methods. Hence, the proceeds were small compared with the sales and excise taxes. In most of these countries the tax laws have been improved, loop holes closed, the rates adjusted, and the collection methods improved, especially by introduction of the withholding method. The increase of the national income in all countries contributed greatly to the rise of the tax yield. Since the beginning of 1949, when the inflationary trend has been stopped in almost every country, the gains have been real rather than merely nominal.

b - *Extraordinary Revenue:* Great emphasis was given to extraordinary revenue. There were quite large stores of war assets which were liquidated during the years 1947 to 1950, providing receipts which were particularly timely when the need for revenue was so great.

However, the largest portions of extraordinary revenue were represented by capital levies and extraordinary taxes on income and turnover. To a certain extent, those taxes are still a „leftover" from the wartime taxation which intended to remove as much „surplus" purchasing power as possible. The other cause for introducing those capital levies and extraordinary taxation was the fight against inflation. In some countries, especially those which were formerly occupied by the Germans, who used the printing presses of these countries recklessly, an abundance of money supply existed. The impacts of this potential inflation on the economy could only be suppressed by such measures as continued rationing, price controls, allocations and priorities of goods and services, wage and credit-freezing, blocking of deposits, and other severe economic restrictions, measures which were the more successful, the better the population cooperated with their government in keeping the rules. The syphoning off of this money supply by way of capital levies or extraordinary taxation became imperative to hold the price line. In some of these countries those financial „amputations", were not only made on „live" accounts, but also on „blocked" accounts which were already „out of circulation", but still a sort of potential money supply, which had to be wiped out to ease even its last trace of inflationary potential. Some of the payments were even permitted in the form of specific securities.

Another variety of this capital levy, the so-called „levy loan", represents a bona fide tax, but certificates are provided which are interest-bearing and may be redeemed later on.

c - *Local Currency Counterpart Funds:* Like the international grants for economic recovery themselves, the local currency counterpart funds on a typical creation of the postwar fiscal policy, originating from these grants. The purchasers of the goods provided by those international grants pay the purchase price into an account owned by the government of the nation which receives the grants. By this device the grants not only enrich the national economy, but the government receives a bona fide revenue which either brings relief from tax or debt burden, or permit a public investment outlay which otherwise would not have been possible. Counterpart funds have been established for grants from UNRRA (United Nations Relief and Rehabilitation Administration), Interim Aid (predecessor of ERP to Austria, France and Italy, Public Laws 84 and 389 of the 80th Congress), GARIOA (Government and Relief in Occupied Areas, administered by the military governments), STEG (Amounts received for the sale of surplus property by the Staatliche Erfassungsgesellschaft fuer Heeresgut), and grants from ERP (European

Recovery Program of the United States, Public Law 472). In counterpart funds, originating from the latter, (plus certain amounts from the Interim Aid), are frozen unless and until the ERP receiving government and the United States Government agree on the amount to be released and the purpose for which it is to be used. In case of any inflationary pressure originating from the over-supply of money, the release does not take place and the amount is „quarantined"; thus, a device has been created to cut down temporarily at least, the money supply, if necessary. Five percent of the ERP counterpart fund is set aside for the exclusive use of the United States Government [2]).

The following table shows the ECA counterpart funds as of February 28, 1950, expressed in United States dollars (the 95 percent portion available to the country). It presents the amounts deposited

TABLE III

(in millions of dollar equivalents *)

Country	Counterpart Funds Available To Country	Counterpart Funds Withdrawn			Counterpart Funds Not Yet Withdrawn
		Total	For Debt Retirement	For Aid To Economy	
Austria	408	251	85	166	157
Belgium	3	—	—	—	3
Denmark	95	**	—	**	95
France	1,668	1,666	171	1,495	2
Germany (F. R.)	450	337	—	337	113
Greece	272	137	—	137	135
Iceland	2	—	—	—	2
Ireland	3	—	—	—	3
Italy	576	165	—	165	411
Netherlands	329	91	—	91	238
Norway	134	74	74	—	60
Portugal	4	—	—	—	4
Turkey	14	—	—	—	14
Trieste	15	15	—	15	—
United Kingdom	1,165	784	784	—	381
Total . . .	5,138	3,520	1,114	2,406	1,618

*) Dollar equivalents represent only an approximate measure of the magnitude involved in counterpart fund transactions. These transactions actually occur only in local currency — never in dollars.

**) Less than one-half million.

[2]) „Each country participating in the European Recovery Program and receiving assistance in the form of grants from ECA has agreed to deposit itsown local currency in a special account in an amount commensurate with the dollar cost of the grant aid received. These special deposits are called

for the countries, the amounts already used as a whole and the purposes, as well as the amounts still available for use. Included in these amounts are the counterpart funds for ERP grants and the amounts from the Interim Aid for which ECA has supervisory responsibility ($ 81.6 million for Austria, $ 312.6 million for France, and $ 100.6 for Italy).

With over $ 3 billion counterpart funds already withdrawn, over $ 1 billion ECA counterpart funds from actual deposits still unused, about $ 6 to $ 7 billion ECA counterpart funds still expected to be deposited, according to the present predictions, and GARIOA, STEG, UNRRA and Interim Aid counterpart funds estimated at somewhat over $ 2 billion, the total counterpart funds released in the past and future may be assumed to amount to the equivalent of $12 to $ 14 billion, estimated conservatively. Revenue of this size without doubt helps the receiving governments to diminish considerably the strain of the budgetary situation imposed by the impact of the war and the difficulties of the war-peace transition. It facilitated greatly an easing of the debt burden, the repair of war damage and modernization of outmoded capital goods, the fight against housing shortages, and last, but not least, the overcoming of inflationary pressures.

2. *On the Expenditure Side*

Part of the expenditure increase in the postwar period is „real", part of it is caused by inflation. The „real" extension of government expenses is caused by purposes which during „normal peace periods" play either a more subordinate role or are altogether unknown. This type of expenditure is to be dealt with in the following paragraphs.

a - *Expenditure Resulting from War and for External Security:* It is natural that a global war with devastation unheard of in modern history has a profound, direct impact on the expenditure not only

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„counterpart funds". To the extent that countries receive assistance in the form of loans or conditional aid, they are not obligated to deposit local currency counterpart. In the case of loans, the obligation to repay in dollars replaces the requirement of local currency deposits. In the case of conditional aid, the country receiving such dollar aid in turn places at the disposal of other participating countries local currency in the form of drawing rights in order to stimulate intra-European trade. Countries using these drawing rights receive the major benefit of this aid, and have agreed to deposit an equivalent amount of local currency in their special counterpart accounts". (from *ECA Local Currency Counterpart Funds*, January 31, 1950, page 1).

in the immediate postwar period, but for quite a number of years to come. Care for war victims and war pensions are the type of current costs which will stay for some decades. Expenditure for the repair of war damages to property and for occupation, though still heavy in most of the former beligerant countries, will decline in the foreseeable future. The financial burden of interest on war debt depends partly upon the degree of inflation a country passed through, and partly upon the financing of the war effort. Countries with run-away inflation or with a complete repudiation of the old currency show, measured in terms of gross national income, a fraction of their prewar interest load. In countries in which the actual inflation was less rampant, the interest burden is still substantial, mostly somewhat higher, in terms of the gross national product, than in the prewar times. It is, however, necessary to emphasize that during World War II a much larger percent of the war expenditure in many of those countries was financed by actual revenue than during the first World War, and that the interest rates were also lower. Thus, the progress in fiscal policy made during the last 20 to 30 years accounts, to a high degree, for the fact that World War II debt seems, relatively speaking, less of a burden than World War I debt. As to the debt incurred after the war, the domestic debt is not too great a strain. So far as its impact has not been wiped out by inflation, the service is not too cumbersome, because most of the debt is of the floating variety with lower interest rates.

However, much heavier, especially in the future, will be the burden from the postwar foreign debt, the largest part of which is dollar debt to the United States. Not only have the payments of interest and principal to be financed out of foreign currency reserves or earnings, but the devaluation in most of the ERP countries increased substantially the amounts needed for financing the debt service.

In addition to the great load of expenditures resulting from the two world wars, Western Europe has to carry the high cost of national external security. The very tense political situation, known under the name of „cold war", forces the Western European countries to keep their national defense expenditures at a level, up to now unheard of in the history of peace times, not only in absolute terms but also in relation to the rest of the expenditures. The only countries not yet involved in the maintenance of a strong defense force are Austria and Germany, which on their parts, however, have to pay for rather high occupation costs.

The cost of the defense apparatus depends naturally upon its comprehensiveness. Countries with large air forces or navies naturally show a higher percentage of defense expenditure than the others. Although the aid granted to the Atlantic Nations by the United

States through the Military Defense Assistance Program is a valuable addition to the locally available arms supply, it is generally expected that those national defense expenditures which the countries have to finance from their own sources will still be very high for some years.

b - *Subsidies:* Subsidies to hold prices or to guarantee income in the postwar period in Europe were generally accepted devices to fight, or at least „control", inflation. For this purpose, they were combined with rationing or allocation of goods and services, credit, and wage control. But when the overall scarcity ended and the rationing was discontinued, consumers, agricultural, trade, and industrial subsidies were frequently applied mainly to prevent cost increase which would drive consumer prices and wages skyhigh. Most countries which went through a high degree of inflation or repudiated their currencies show now smaller amounts of subsidies. The countries which kept their inflation down, used subsidies more extensively and are still applying them to a considerable extent. A new boost of the subsidies originated from the devaluation of the exchange rates of 1949 which raised the prices for imported goods; some of the countries in which wages are tied to the cost of living by agreements, subsidies were either increased, or when abolished, to a certain extent reintroduced to assure the full impact of exports stimulation by holding wages and prices down without hurting the lower income groups too much.

In some countries special subsidies in the form of family subsistence payments for avoiding hardships were introduced as a kind of prop to eliminate price subsidies which, with the aid of so-called price-wage and agreements were abolished, permitting wages to rise to a certain level in order to restore a free competitive price system. Those family allowances, of course, are only a fraction of the original price subsidies.

The supplementing of domestic production by goods from the United States through ERP contributed substantially in the effort to eliminate or at least restrict the subsidies and to cut down the black market operations.

c - *Capital Outlay*[3]): The structure of the central government

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[3]) It is necessary to describe the concept of capital outlay as used in this presentation. Most of government budgets data do not permit the collection of all data usually to be included under capital expenditure, defined as cost of construction purchase of land and buildings, and acquisition of equipment. ECA, therefore, made a special effort to obtain from the various accounts the

capital outlay expenditure has substantially changed because of the impact of the war as well as because of ERP.

The nationalization of various industries, such as railroads, utilities, mines and others, after the war in many of the countries required special capital outlay expenditure provided in the form of grants, but also frequently in the form of loans financed by the general fund. In some cases governments provided even private industry with means to promote industrial or agricultural production, especially forwarding the local currency counterpart funds the use of which is prescribed by the bilateral agreements between the national government and that of the United States. Grants and loans for housing, in the prewar times for the most part a modest expenditure, skyrocketed after the war to cope with the housing shortage, a consequence of every modern war. Finally the backlog of needs in the field of roads, equipment, transportation, structure of government buildings, irrigation projects, etc. accumulated by the war, preventing all capital outlay not essential for the war effort, had already its influence on government expenditure and is expected to keep those outlays high for quite some time. Only to a relatively minor extent have these needs been taken care of, because the scarce capital has been mainly used for satisfying the demand of private and nationalized industry, repair of war damages, and housing.

d - *Social Insurance:* In many of the Western European countries the government expenditures for social insurance systems have been substantially raised. Not only were the assets of those agencies to a more or less high extent depleted by inflation which also made higher benefit payments per case necessary, but the actual coverage has also been extended in some of the countries by either introducing or improving the health insurance and pension systems, unemployment insurance, or so-called family allowance system for large families. This means a larger intake from employers and employees

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capital outlay data, to show this particularly interesting expenditure item. However, certain types of capital outlay had either to be omitted or presented under a different item. One of the major portions not included are the capital outlay for national and civilian defense. This exclusion was made (a) because up to now the statistical concept of capital outlay for national defense is still hotly contested, (b) for security reasons no detailed breakdown is available for many countries. The second portion of government capital outlay are the amounts used for the repair of war damages, which are shown separately. On the other hand, the amounts actually presented as the capital include not only those expenditures made for general purposes, but also amounts forwarded to local and regional governments, government owned enterprises, nationalized industries, as well as to agriculture and private industry, given in the form of grants or loans for investment purposes.

contributions as well as higher statutory contributions from the general (tax supported) fund of the government itself. These high social insurance „taxes" account to a large extent for the fact that in some of the countries (in which the tax burden of the central government is not very high), the combined revenue load of central and local governments and social insurance agencies surpasses considerably that of the United States, when expressed as a percent of national income. This is, for instance, the case in France and even in Italy (according to government reports).

However, except in cases where unemployment is substantial as in Belgium, Germany, and Italy, the payments into the social insurance funds are not only a burden, but represent also savings (although enforced), which together with the voluntary savings finance directly and indirectly the huge investment needs, resulting from the war or from earlier neglect in replacing out-moded machinery.

3. *Gross debt outstanding*

Never in modern history was it possible to finance wars completely out of regular revenue; wars always caused a tremendous swelling of government debt, no matter how rich a country may be. Usually the war-peace transition added substantially to the war debt. It is, however, the monetary and fiscal policy which is responsible for the actual debt burden to be carried in the long run, as already emphasized in the chapter on interest expenditure.

The following table presents the debt of the central government (exclusive of enterprise debt incurred directly and serviced exclusively by the enterprises themselves) of the major ERP countries, expressed in millions of U.S. dollars, converted at present-day (post-devaluation) rates:

Gross Debt of the Central Government (General Fund) Outstanding in the ERP Countries

TABLE IV

(Millions of U.S. Dollars)

Country	Fiscal Year Ending in (1)	Domestic Debt (2)	Foreign Debt (3)	*Total Gross Debt Outstanding*	
				Amount (4)	Per Cent of Gross National Product (5)
Austria	1949	520[a b])	9	529	35.8[m])
Belgium	1948	4,462	465[d])	4,927	95.3
Denmark	1949	904[a])	208[e])	1,112	58.0[n])
France	1949	7,779[c])	3,363[f])	11,142	52.4
Germany (Fed. Rep.)	1949	3,710[a])	*	3,710[j])	19.6[o])
Greece	1949	116	*	116	8.9
Iceland	1948	21	*	21	16.2
Ireland	1949	280	8	288	25.4
Italy	1949	5,348	711	6,059	46.0
Luxemburg	1949	106	28[g])	134	n.a.
Netherlands	1949	5,992[a])	657	6,649[k])	154.3[p])
Norway	1949	1,790[a])	182[h])	1,972	125.8[q])
Portugal	1948	325	28	353[l])	
Sweden	1949	2,297		2,297	46.3
Turkey	1949	319	177	496	18.0
United Kingdom	1949	64,960	7,076[i])	72,036	200.0

[a]) Includes debt owed to Central Banks originating from German occupation or currency reform as follows: Austria $ 251 million; Denmark $ 509 million; Germany $ 3,639 million; Netherlands $ 867 million; Norway $ 1,077 million; total $ 6,343 million.
[b]) Includes $ 35.3 million for financing the so-called price gap. Also includes substantial amounts originating from the German occupation.
[c]) Net deposits by treasury correspondents are included.
[d]) Includes $ 189.7 million owed to international organizations.
[e]) Includes $ 72.8 million owed to international organizations.
[f]) Includes $ 702.9 million owed to international organizations.
[g]) Includes $ 10.0 million owed to international organizations.
[h]) Includes $ 28.0 million owed to international organizations.
[i]) Includes $ 1,120.0 million owed to international organizations.
[j]) Debt does not include Reichsmark debt but a small amount of foreign debt incurred during the period before the currency reform was included.
[k]) As of June 30, 1949: Fiscal Year ends December 31.
[l]) Excludes debt held by government agencies.
[m]) Percentage exclusive of debt owed to Central Bank is 18.9 %.
[n]) Percentage exclusive of debt owed to Central Bank is 31.3 %.
[o]) Percentage exclusive of debt owed to Central Bank is 0.5 %.
[p]) Percentage exclusive of debt owed to Central Bank is 146.3 %.
[q]) Percentage exclusive of debt owed to Central Bank is 55.9 %.
*) Small amounts only.
Source: ECONOMIC COOPERATION ADMINISTRATION.

It is to be emphasized that the amount of debt outstanding as presented in the table and its relation to the gross national product does not by itself by any means permit an evaluation of the financial policy of the government. As far as the immediate war impact is concerned, every formerly belligerent country (with the exception of Austria and Germany, whose pre-currency reform debts are not serviced for the time being) still carries in its absolute data a substantial amount of war debt, while the neutrality of the other countries required to a lesser degree the incurring of debt during the war. However, the war and postwar inflation which was rampant in all of Europe had different effects upon expenditure, and the total debt outstanding relative to the gross national budget. The higher the price level was driven by inflation the smaller a burden the war and postwar debt became. Thus, countries like France and Italy, where the rate of debt increase was high compared with the other countries, now show a relatively low debt measured as a percent of gross national product. Countries which had to completely reform their currencies, like Greece, Austria and Germany wiped out the bulk of their domestic debt. On the other hand, the United Kingdom, Netherlands and Norway with a relatively small amount of inflation and a much smaller increase in their national debt show that their present debt constitutes a very high percent of their gross national product. In those countries the amounts of the local currency counterpart funds earmarked for debt redemption, and the special capital levies from free and blocked accounts helped to reduce the domestic debt considerably.

Part of the national debt of the participating countries does not require interest payment. This category on the domestic side is represented by the portion of the debt owed to the central bank originating from the currency reform or from German occupation. But as it is redeemed from budget surpluses or counterpart funds, it is to be considered bona fide debt. The other portion of debt not pressing on the taxpayer is the debt owed to international organizations, because it is frequently covered by an asset of equal size.

C - EXPLANATORY NOTES ON THE DATA

For the first time the United States Government undertook the initiative to collect government finance data on a standard questionnaire which grants the possibility of a uniform classification and presentation system, thus provides a reasonable degree of comparability between the revenue raising efforts and the cost of government between the ERP countries.

Like every new attempt in the field of statistics, the results are not

quite perfect. The data have to be considered preliminary and are subject to changes in some cases, resulting from an intensified „polishing" effort of checking and reclassification. But, as a whole, the general trend of the financial and fiscal policy can already be clearly recognized from the data presented in the tables.

However, the data cover only the general fund of the central governments — thus excluding the gross transactions of all governmental enterprises, such as railroads, postoffice departments, utilities, etc., and the activities of the local and provincial governmental units. Only net amounts actually received by the central government from its enterprises, and local and provincial governments are included in revenues and net payments to those agencies in expenditures.

Also excluded are the accounts of the social insurance agencies of the countries, except for those amounts which represent deficits covered and regular contributions made by the general fund to those insurance agencies. Trust funds, such as non-contributory pension funds, or special reserve and depreciation funds, are combined with the general funds. ECA plans at a somewhat later date to publish data covering the total orbit of the governments finances, including data of government enterprises, non-central governments, and government insurance agencies, to increase the comparability and provide the possibility for a more intensive analysis.

In some cases the data presented in these summaries differ from those contained in the budgets or financial statements of the individual country because these tables include all extra-budgetary accounts on the one hand and exclude the gross transactions of all governmental enterprises which some countries include in their budgets.

The fiscal years included in the heads of the columns indicate the calendar year during which the fiscal year ends. For 1947, data are included in the summaries only for countries with fiscal years coterminous with the calendar year in order to avoid inclusion of 1946 transactions which reflect to a substantial extent the war-peace transition period. Most of the 1947 and 1948 data originate from closed accounts; most of the 1949 and all of the 1950 data represent budget estimates.

ON THE HISTORIOGRAPHY OF THOUGHT ON PUBLIC FINANCE

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1 - The study of the history of thought on public finance does not appear to develop at a rate comparable to the great impulse that has animated the scientific study of public finance for about three quarters of a century. By comparison with what has been done in the field of historiography for other social and political sciences, one reaches the conclusion that in matters of finance the relationship between doctrinal history and scientific literature is totally inadequate [1]).

The most significant item for comparison is that of general political science, as in all financial problems there is a strong ele ent of political interest, which is admitted even by such theoretical schools on the scientific nature of finance that would treat it as a specific chapter of political economy [2]). The great development attained everywhere by the study of the history of political doctrines, ever since the beginning of the nineteenth century, has not only been

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1) "Taxation, which may create so much suffering, but which may on the other hand produce so many beautiful works, since, in the words of Vauban, it is the buttress of the State, has ever since its birth provoked not alone the lamentations of taxpayers, but also the deepest cogitations of economists, philosophers and statesmen. Every thinker who occupied himself with the interests of public affairs has endeavoured to define its nature, to report its qualities, to determine the laws of its incidence, and all ardently sought to ameliorate the distribution of its burden. Yet such studies have never been pushed so far as in present times; never have fiscal matters been explored with so much penetration and learning as in modern literature" (René Stourm, *Systèmes généraux d'impôts*, 3rd. ed., Paris 1912, pgs. 1/2).

2) For all, see K. Gunnar Myrdal. *L'elemento politico nella formazione delle dottrine dell'economia pura*, 1932 (Italian translation, Florence 1943, pg. 262).

affirmed but demonstrated by its best students [3]). It is nevertheless a subject of wonder that financial doctrines, while having a political foundation [4]), did not reach an adequate position of development and systematic treatment even as a part of the study of the history of political doctrines. One should be reminded that since Adam Smith [5]) those who have dealt in financial arguments have all been „writers on politics and morals" [6]). But it is in the intimate nature so far preserved by the historiography of political thought that the reason is to be found both for the indigence of specific historical studies on the different trends of financial thought in the past, as well as, in most cases, for the absence of this particular subject in the history of political doctrines. What we mean is that historians of political thought have so far remained on the grounds of speculation, or in other words, of political philosophy; whereas financial problems, by systematic treatment regarding their object, as well as by method, fall within the field of the history of „scientific" doctrines, that is to say, of the empirical science of politics [7]). Yet financial thought also has its share of philosophic theory, and consequently its „speculative" aspect, which comes before the aspect of its practical application, unless that is relegated merely to a listing of ideas, maxims, opinions, aphorisms, and the like. Consequently, not only as regards the history of financial doctrines, but also for the progress of the science of finance, the background of political theory is inescapable; but whereas the former are but one particular aspect of the latter, it is necessary that the scientific theory of politics should constitute the object of a more developed and detailed plan of study, over and above that of the systematization of its speculative aspects, before the history of financial doctrines could be in a

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[3]) See F. Battaglia, *Oggetto e metodo della storia delle dottrine politiche,* in the volume of Battaglia and Bertolino, *Problemi metodologici nella storia della dottrine politiche ed economiche,* Rome 1939. By the same author: *Lineamenti di storia delle dottrine politiche,* Rome 1936, pgs. 59/75.

[4]) In the course of the study, Gentile's concept of politics adopted by us is to be clarified: "Politics is not law, but morals: it is not abstract will, either present or past. It is will in action..... State and politics are one (Gentile, *I fondamenti della filosofia del diritto,* 3rd. ed. 1937, pg. 128). See also A. Rava, *Diritto e Stato nella morale idealistica,* Padua 1950, pgs. 123 ff.: The State as ethical organism.

[5]) The Physiocrats were nothing but political philosophers. Their assumption of the appelation "economists" was, as is known, intended to qualify the "sect" by identifying the specific field of nature with which they concerned themselves.

[6]) G. Ricca Salerno, *Storia delle dottrine finanziarie in Italia,* pg. 38.

[7]) Croce, *Elementi di politica,* pgs. 241 ff. and pgs. 271 ff. of the volume *Etica e politica,* 2nd. ed.; Battaglia, *Oggetto e metodo della storia delle dottrine politiche,* cit., pgs. 34 ff.; F. Burzio, *Introduzione alla sociologia,* in "Giornale degli Economisti", March-April 1947, pg. 155.

position to develop by itself with the object and the type of method which we propose to indicate in the present paper.

2 - We may now single out one of the chief reasons for the slow progress of one specific chapter, which is not among the less important, of historiography: that of the history of financial doctrines. The reason lies in the lack of definition and delimitation of the object of such a history. The importance of determining the scope of the history of thought as applied to financial problems is twofold: first, because it makes it possible to classify systematically the various doctrines of historical importance; second, because the history of social and political doctrines has demonstrated itself to be an extremely useful instrument for the method of scientific study of the groups of problems pertaining to it and for a better definition of the object of the respective sciences. The history of the doctrines cannot therefore be of lesser importance for the progress of the science of finance, which is still shrouded in fog as to the definition of its contents, the choice of its method, and the nature of its relationship to other studies with which it tends to become confused or which absorb from it the scientific results achieved in the various relative aspects of the financial subject-matter.

3 - In the more recent historiography of economic thought, financial problems, which for once are there always systematically, if insufficiently, present [8]), have asserted themselves in a practically complete manner. If on the one hand we may recall the natural process of specialization which has affected the systematic and scientific treatment in a way to lead historians of economic doctrines to feel justified in abandoning to specialized students the subject of the thought relating to financial problems [9]), on the other hand that same fact may yield still another proof of the difficulties to be met in extending the method of history of economic thought to embrace financial thought; the latter demonstrating to possess different

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[8]) Wagner in 1877 (*Finanzwissenschaft*) already wrote (in an introductory note to "The development of the science of finance and of its literature"): "A true and complete *History of the literature of the science of finance* is still lacking. We have to refer to the *General history of the literature of political economy* which, in effect, touches upon the literature of finance only eventually (and in some cases not at all), as well as to the short *notes* and the brief *bibliographies* to be found in systematic works on the science of finance".

[9]) Not infrequently, however, one may find, in researches dealing with some individual writer, the history of financial thought treated together with that of economic thought.

speculative bases and a different scope as starting points for its own systematization [10]).

4 - Modern science of finance has undergone three different phases. The first one dates from Adam Smith's *„Wealth of Nations"* and continues through the classical economists, who devote a special place to questions of public finance in their treatises. In those treatises, financial problems fall into two groups of subjects: the first concerns the nature of financial activity and the functions and distribution of taxation, and tends to solve these problems on grounds that are mostly metaphysical [11]); the second group of subjects deals more specifically with the economic aspects of taxation and of certain types of expenditure, and in it are to be found the beginnings of the theory of the economic effects of taxation and particularly of its incidence and spreading. It is nevertheless characteristic, not only of the classical economists but also of the financial writers of the last phase (of whom we shall speak presently), who follow the scientific principles of the neo-classical economists, that frequently „seek to arrive at political conclusions without starting from political premises" [12]). The second phase is one of general stagnation, but it is rather brief and goes from Stuart Mill [13]) to the German school of which Wagner [14]) holds the foreground. The third phase is luxuriant: it stems from the German school, but is soon confronted with the so-called scientific approach (as contrasted to the former ethico-social or socio-political approach) which represents the orthodoxy of the classical school strengthened by the new methods of economics, especially that of marginal utility and subjective value, as in Sax [15]), or by the utilization of different strict criteria to the manner of conceiving and determining financial activity in economic terms, while not exempt from a certain

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[10]) Myrdal (*op. cit.*, pgs. 263/4), holds that the political contents of financial doctrines, expecially if considered from the standpoint of practical propositions, would be particularly useful for the history of the doctrines, but holds that it nevertheless cannot constitute a starting point for the systematization of the science of finance. This is, to my mind, an important step forward, coming from a writer who, as we shall see, is among the last authoritative orthodox retainers of a purely economic view of financial doctrine.

[11]) But this is dogmatic and transcendent metaphysics. See Croce, *Teoria e storia della storiografia*, 5th ed., pg. 280.

[12]) Myrdal: *op. cit.*, pg. 20.

[13]) *Principles of Political Economy with their Applications to Social Philosophy*, London 1848.

[14]) *Finanzwissenschaft*, 1st, ed., Leipsig 1877.

[15]) *Grundlegung der Theoretischen Staatswirtschaft*, Vienna 1887.

tinge of political sociology, as in De Viti de Marco [16]). In this same epoch, which is still in existence as far the formerly noted contrast is concerned, certain specific tendencies appear which seek either to conciliate the two currents (political tendency or sociological tendency) or to refute both (ethico-legal tendency, such as a specification of the political foundations of the theory of State) [17]).

5 - Even more than by this burgeoning of theories which are a justification of the previously noted contrast, the school that claims to have given systematic and scientific unity to all financial problems as a chapter of the study of general economic equilibrium [18]) is obscured by the diversities of opinion which have arisen within that school — classical and neo-classical — as a result of the different and often opposed specifications and clarifications regarding the economic nature of the financial phenomea. Nevertheless all these currents repeat the metaphysical concept of the theory of value which was at the core of the first interpretations of the foundations of the naturalistic legal philosophy, afterwards studied in the light of utilitarianism and described through rationalistic hedonism [19]). More cogent, on the other hand, is the attitude of the German school, whose ethico-social character justifies its rationalistic method by its adherence to reality, which is composed of facts, of uses and of philosophical and political culture always in terms of development and evolution [20]).

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[16]) *Il carattere teorico dell'economia finanziaria,* Rome 1888.

[17]) For a historico-critical development see Morselli, *La dottrina del tributo,* Padua 1932. Id., *La formola finanziaria,* in "Archivio Finanziario", vol. I, Padua 1950.

[18]) To Sensini, the general picture into which that section is inserted is enlarged: the problems of finance wind up by entering the general texture and concatenation of economic, social and political problems. Financial problems are comprised in it also in respect of the nature and of the greatly varied modalities of financial activities exercised both by the rulers and the ruled, which are to be studied according to Pareto's method for non-logical activities. Our own opinion on the sociological concept of finance has been expressed in *Dottrina del tributo,* cit. pgs. 17/19 and 168/170. In that work we already mentioned Sensini (on page 125) in connection with his *Teoria della rendita,* Rome 1912. See also his other works: *Classificazione generale dei problemi principali della finanza,* in "Giornale degli economisti", 1920, pgs. 269/283 and 405/419; *Cenni di finanza teorica,* id. 1929, pgs. 373/384; *Considerazioni intorno alla finanza pura,* in "Archivio Finanziario", vol. I, 1950.

[19]) The most recent manifestation of that standpoint in Italy is found in *Contributo alla teoria economica della finanza,* by Paolo Ricca Salerno. Milan 1936.

[20]) The ethico-social character of finance in the German school has been revived with new specifications in Switzerland by Wicksell and his pupil Lindahl.

This basically explains that certain difficulty experienced by historians of economic doctrines in including financial questions as well under their one subject. This constitutes to them the implicit justification of the exclusion of such questions from their field of study as demanding judgment on non-economic matters [21]): although that implicit justification is evidently made explicit in certain instances which will not fail to qualify in due course.

6 - The *Introduzione allo studio dell'economia politica* by Luigi Cossa (3rd. edition, 1892), which is largely a historical study of economic literature, contains only one brief paragraph, entitled "Theories and financial reforms", in which there is a discussion of financial thinking in respect of a problem of economic theoretical justification for fiscal reform in connection with feudal oppression and obstacles to economic life [22]). And there we find only political students, philosophers and moralists expressing ideas, opinions and doctrines. As can be easily imagined, the period covered by these writings extends from the middle of the 15th century to the first three quarters of the 17th, without yet including the Physiocrats, with whom Cossa's book deals further on, as it does with Adam Smith. But one would look in it in vain for another recorded thinking on financial matters, either in respect of the Physiocrats or of Adam Smith or of other economists equally noted for their theories and opinions on public finance. In a work *L'economia politica negli scrittori italiani del secolo XVI—XVII,* by Ulisse Gobbi (1889), financial arguments are included in equal proportion to other types of problems, and again it is the opinions, ideas and political doctrines of philosophers and political writers that prevail [23]); but, as Dubois observed, up to that time even economic doctrines, except those on money, were expounded by a small number of moralists and jurists as ancillary doctrines. In *A History of Political*

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[21]) Evidence of this difficulty is to be found in L. H. Haney, *History of Economic Thought,* 1st. ed. New York 1912, revised eds, 1928 and 1932; this author exhibits a critical and robust thought in matters of economic theory, but limits himself to philological or bibliographical notices whenever he is required to refer to financial theories.

[22]) Dubois, *Précis de l'histoire des doctrines économiques,* Paris 1903, has a brief chapter entitled "Les systèmes fiscaux" in which he mentions the problems of reform of that epoch; nothing else regarding finance.

[23]) Another instance is T. Fornari *Delle teorie economiche delle provincie napoletane,* Milan 1889, in which financial theories occupy a subordinate position. In F. Ferrara's Prefazioni (*Esame storico-critico di economisti e dottrine economiche)* to the 1st. and 2nd. series of the "Biblioteca dell'economista", 1889 and 1890, financial doctrines are treated instead with appropriate measure.

Economy by J. K. Ingram (1888), justly rated among the best of its times [24]), financial thought is interspersed in a manner adequate to the scope adopted by the author, which is "to present the historical development of economic thought in its relationship to the general philosophic ideas" [25]).

We confined ourselves to three theoretical historical works of an epoch, dating from the last years of the nineteenth century, for a parallel between the circumstances and the orientation of economic studies, and the relative position of such studies in the science of finance, as we already have attempted to indicate. But if we move forwards from that epoch and come nearer to the present time, we shall note a general tendency on the part of historians of economic doctrines altogether to ignore financial discussions. In Gide and Rist's *Histoire des doctrines économiques depuis les physiocrates jusqu'à nos jours* (1st. ed. 1909, 7th. ed. 1947), the paragraphs on the physiocratic doctrine of single tax, on Stuart Mill's idea of the abolition of income through taxation, on the function of progressive taxation to the solidarists, and some others on lesser points, are quite inadequate, both from the standpoint of the choice of the questions treated and from that of length of development, to dispel the impression that the authors were convinced that matters properly financial did not enter the scope of their work because of their object being foreign to it. The *Introduction générale à l'étude de l'économie politique* of L. Leseine (1910) is distinguished by an ample and individual treatment of the matters regarding the object, the method, the significance of economic laws and the nature of economic science according to the development of theoretical studies, but it does not touch upon specific questions which might indicate that their inclusion was due to attention also to problems of finance. In the *Histoire des doctrines économiques* by René Gonnard (1924), which starts with Plato, the place given to financial doctrines is entirely inadequate even in respect to certain premises

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[24]) There is an Italian translation by De Barbieri, Turin 1892. A second English edition appeared in London in 1915, edited by Scott and with an Introduction by Ely.

[25]) Amongst the other better-known works related to the period that we have been discussing so far, we recall: Roscher, *Geschichte der National-Oekonomik in Deutschland,* Munich 1874, where the exposition of financial thought, according to the theological, philosophical and political culture of the succeeding periods, is not entirely inadequate; Espinas, *Histoire des doctrines economiques,* Paris, 1891, which mentions a few financial ideas and doctrines up to Adam Smith; Scheel, *L'economia politica come scienza,* Italian translation 1900, vol. I series III of the "Biblioteca dell'economista", which in Part II, devoted to the "History of political economy" glances over financial thought.

adopted by the author regarding financial problems [26]). In *Les doctrines économiques en France depuis 1870* by G. Pirou (1925), the scarce references to finance relate only to the extra-fiscal objects of taxation, which explain certain philosophic premises of economy adopted by the author. And when we examine Edwin Cannan's *Review of Economic Theory* (1930), which deals with the history of doctrines according to a basically critical and systematic approach to economic theory, we do not come across any specific argument on finance, not even in the first two chapters in which the variety and miscellany of the ideas and principles included might have motivated the extension to financial matters; instead there is only a reference, near the end of the book, to progressive taxation as a problem related to a better division of economic welfare. References to financial doctrines are to be found in *Lezioni di storia delle dottrine economiche* by Giuseppe Prato (academic year 1924/25) only with regard to the Physiocrats, to Adam Smith and to Bentham, and even so only in relation to philosophic premises of economy which the author seeks to enhance by such references. In the *Lezioni sulle dottrine economiche* of Luigi Amoroso (1927) there is a complete absence of any financial premise (in the "Philosophic Part") or of any financial general principles (in the "Historical Part"). Even in the *Storia delle dottrine economiche* of Amintore Fanfani (2nd. ed. 1939), matters of finance are avoided as a rule, although the book is distinguished by its accent on *Voluntarism*, which appears as a sub-title and which is an unmistakable characteristic of financial facts. Gustavo del Vecchio, in his *Vecchie e nuove teorie economiche* (1932) specifically declares that "there are problems of wealth which are not economic problems..... as is sometimes the case with problems of State finance" [27]).

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[26]) On page 10 of vol. I, having in mind to speak about the *doctrinal* history of financial events, the author says: "The history of taxation might no doubt be fruitfully studied by some of our men of Government". But it is more important from our standpoint to note one instance of an abstention, on the part of Gonnard, to insist upon financial doctrines; that instance is in a note at the close of his comment on the fourth book of Smith's *Wealth of Nations*, where he says that he ought not to expatiate on the fifth book of that work, "the contents of which pertain mostly to financial and fiscal theory" (pg. 213 of vol. 2).

[27]) The text goes on: "To compensate for that abstaining, political economy will have on the other hand to solve a large number of specific questions, as it does to-day under the name of science of finance, in respect of so many problems concerning taxation and public debt" (pg. 558). There is in Italy no better and no more authoritative expression of the clear separation between the object and the function of economy and those of financial problems. A question of name cannot be of importance here: it should matter nothing that the name

The result of the study of such books, and of others dealing with the history of economic doctrines [28]), is in all cases the same: a general tendency on the part of the authors to exclude from their scope the problems of finance as regards the history of the respective doctrines [29]). And the absence noted in the historiography of economic thought and in that of political thought (as stated at the beginning of this paper) is to be noted as well in works dealing

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of "science of finance" be given to such group of problems. But since a number of other problems remain on the outside — for the reasons first explained in the text — that number of specific questions will require a proper name. It would then be advisable that political economy should lend its own name to the economic questions present in problems of finance. This would in effect not be a matter of indifference to the progress of scientific research in one or the other direction. Conigliani (*L'indirizzo teorico della scienza finanziaria,* in "Giornale degli economisti", August 1894) already observed, in respect of the creation of a "pure science of finance", that "the economic effects of whatever facts are an argument pertaining to economic science and no longer to the particular science that claims such facts as its specific object".

[28]) A. Honcken, *Geschichte der Nationaloekonomie,* Leipzig 1902 (reprinted 1922); Gemaehling, *Les grands économistes,* Paris 1925; E. Salin, *Geschichte der Volkswirschaftslehre,* Berlin 1923 (reprinted 1929); P. Mombert, *Geschichte der Nationaloekonomie,* Jena 1927; G. H. Bousquet, *Essai sur l'évolution de la pensée économique,* Paris 1927; W. Sombart, *Die drei Nationaloekonomien,* Munich and Leipzich, 1930; F. Carli, *Studi di storia delle dottrine economiche,* Padua 1932; O. Spann, *Breve storia delle dottrine economiche,* Italian translation, Florence 1936; J. Tivaroni, *Compendio di storia delle istituzioni e delle dottrine economiche (Dal principio dell'epoca moderne ai nostri giorni),* 1933; G. Capodaglio, *Sommario di storia delle dottrine economiche,* 2nd. ed., Milan 1941; G. Barbieri, *Ideali economici italiani all'inizo dell'età moderna,* Milan 1940; D. Villey, *Petite histoire des grandes doctrines économiques,* Paris 1946; E. Whittaker, *A History of Economic Ideas,* 3rd. ed., New York 1946; J. Griziotti Kretschmann, *Storia delle dottrine economiche,* Turin 1949; etc. *The Storia delle dottrine economiche* of A. Graziani, edited by G. U. Papi (Naples 1949) is a collection of essays, and it is natural — just because of the equal addition of the late great author to economic and to financial studies — that in some of those there is an ample treatment of financial thought completing the evaluation of the scientific personality of one or another of the *economists* whose work he examines.

[29]) Gangemi's statement (in the Introduction to his *Elementi di scienza delle finanze,* vol. I, 4th ed. 1948, pg. 112), according to which "treatises on the History of economic doctrines contain ample references on the development of financial theories", taken alongside of the evidence given above by us, has but a relative value: such references are mostly indications of the accidental involving of financial questions in the development of economic thought as such. The *treatises* referred to by Gangemi are, besides those quoted by us, the works of Blanqui (1837), Villeneuve (1841), Mac Culloch (1845), Hildebrand (1848), Kautz (1860), Duhring (1870), Block (1890), Tchouproff (1892), Bung (1898), Rambau (1899), Denis (1904), Wagner (1907). Not less than half of these belong to a historical period antedating the epoch considered by us for the reasons explained hereafter in the text.

with the history of doctrines which are at one time economic and political or economic and social, such as, for instance, the *Introduzione allo studio delle dottrine economiche e politiche* by Roberto Michels (1932) and the *Storie delle dottrine economiche e sociali* of V. Totomianz (Italian edition 1922). The exclusion, in this last kind of doctrinal histories, of the thought relating to the most common financial problems would seem even more unjustified inasmuch as for these problems the two aspects, economic and political, are recognized by all, even if, owing to different reasons, all do not scientifically treat finance under both aspects.

From writers on the history of economic doctrines who in their scientific career distinguished themselves by a specialization and and inclination to treat financial problems, one would expect something more than simple references to financial ideas only in regard to aspects hardly distinguishable in economic principles. Lello Gangemi in his *Svolgimento del pensiero economico dalle origini alla scuola classica* (1932), does not treat financial doctrines any further than is necessary to complete from that standpoint the economic thinking of certain authors or groups of authors.

7 - The object and method of the history of financial doctrines do not accord themselves with the scope of historical research of economic thought. The field of economic doctrine is bordered by a zone which, it must be admitted, makes it difficult to determine the limits of the field. That is the zone of non-economic doctrines referred to by Bertolino [30]), and among those, financial doctrine is certainly the most intimately enmeshed with the economic. Financial thought in the history of economic doctrines can exercise but a function of integration regarding the economic aspect which is present in every financial question, or regarding the introduction of certain instruments (such as progressive taxation) used to modify the natural course of economic phenomena. But one will note, in connection with that thought, the guarded attitude of the historian [31]): to him, financial problems are useful to throw light

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[30]) A. Bertolino, *Sulla storiografia del pensiero economico,* in the volume of Battaglia and Bertolino, cit., pgs. 148/149. The same results may be reached by adopting the "non-economic criteria" which correspond to the decisions of type "B" of which F. Modigliani speaks in: *L'organizzazione e la direzione della produzione in un'economia socialista,* in "Giornale degli economisti", September-October 1947, pgs. 442 ff.

[31]) The historian of financial doctrines needs to be a financial theorist as well. This will be fully understood whenever the object of the story of these doctrines shall come to be correctly regarded as being the same as that of the story of the science of finance. There is no reason to regard this matter any

on the character of one given economic doctrine at the place or at the time in which it appeared. Working cautiously thus, the student leaves, consciously or unconsciously, out of the realm of his history the very essence of financial problems, and therefore the greater part — in quality as well as in quantity — of the doctrines relating to them. Many other matters besides the purely spiritual and voluntaristic contents of every financial doctrine could be taken to form the starting point for the systematization of economic doctrines from the standpoint of the positive method of political economy.

There is therefore no better proof of the peculiar character of the scientific nature of financial activity than the fact that, although relating to wealth and to economic events, it dissociates itself by scope and by method from scientific research in economics. But that proof would fail if the noted lack of interest, on the part

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differently than some illustrious writers (among them Bertolino, *op. cit.*, pgs. 143/144) have affirmed in respect of the story of economic thought. Luigi del Pane (*Lezioni di storia economica. Parte propedeutica e generale,* 1941, pgs. 37/37), in order to solve the question raised by Pantaleoni (*Dei criteri che devono informare la storia delle dottrine economiche,* in "Erotemi", vol. I) believed to be capable of conceiving two kinds of history, the first *theoretical,* the second basically *practical* in aspect, *historical* criteria prevailing for the complex of these. So-called *false* theories would have no place in the first history, as they would in the second. However Del Pane does not conclude that for the second type of history it is not necessary for the historian to be equipped as an economic scholar as well.

Since we have formerly made no distinction, on the subject of this present note, between history of economic thought and history of financial thought, we now propose to draw a conclusion capable of supporting the idea of the scientific importance for financial problems of every research in doctrinal history: *whenever research cannot be carried on simultaneously regarding two different scientific objects.* There is, however, a difference regarding what may be retained as *true* or *false* for financial theory in contrast to economic thought — if it is admitted that the latter distinction is possible (the controversy between Pareto and Panteleoni on this very argument is well known). Financial doctrines are based upon philosophic speculation (whether ethical or political). To seek for errors in respect of such speculation would never be wise. Errors almost always represent truths for the time in which they appeared; hence, if the history of the doctrines is undertaken — as indeed it should be if it is to have scientific value — according to Croce's dictum that „all true history is contemporary history" (*Teoria e storia della storiografia,* cit., pgs. 3 ff.), even theories nowadays regarded as erroneous must be given consideration. Gradually to eliminate error is the proper function of science as it gradually builds itself; and to this end the history of doctrines contributes the tool of criticism. Bastable (*Public Finance,* 3rd. ed. 1927, pg. 16) writes: "It is only tracing the history of speculative thought on the various problems of public finance that we can fully understand the way in which errors have been gradually eliminated, and incomplete doctrines have been so expanded as to embrace a larger portion of truth"

of historians of political economy, towards the larger quantity and the better quality of financial questions, had not started to assert itself, as we have seen, even with the students of the latter part of the nineteenth century, at a time when doubts regarding the scientific and theoretical nature of public finance had not yet been seriously raised.

8 - It is now time to try to determine in what way whatever scarce historiography dedicated specifically to financial doctrines has up now been conducted. In this examination, problems of method will occupy the foreground, as they will later serve us better to determine and conduct the solution of the principal questions relating to scope.

Giuseppe Ricca Salerno's *Storia delle dottrine finanziarie in Italia* [32]) is even to-day the most celebrated example of the historiography of financial thought [33]). The greatest merit of that book lies in it having shown that theoretical discussions and principles of different character arise and develop out of the actual institutions and factual conditions of each nation. One may nonetheless regret that the relationship between environment and financial thought has not been completely treated: the institutions and conditions of actual life, to which the author traces the origin of the doctrines are only those which are strictly financial or are merely the shadow of those of civic life, which is also spiritual, ethical, political, and so forth. Every financial doctrine expresses a political and ethical conception and tendency of the times and of the place in which it was created, and it reflects, besides conditions of fact and institutions pertinent to finance, also the spiritual atmosphere related to feelings, to ideas, to culture. In a word, the history of financial thought is strongly tied to the more general history of ideas, of sentiment and of ethical and religious beliefs and so on [34]). Even those very different and

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[32]) The full title of the work is: *Storia delle dottrine finanziarie in Italia col confronto delle istituzioni e condizioni di fatto;* this should be kept in mind as one proceeds with the discussions that follow in the text.

[33]) We recall the first *Storia dell'economia pubblica in Italia* by Giuseppe Pecchio (1829) written as "a historical epilogue on the Italian economists" included in the 50 volumes of the collection edited by Custodi, and with additions devoted to later economists not included in that collection. However, financial thought is considered there in a restricted and subordinate manner, regarding problems of economic science as this is understood to-day.

[34]) Bastable (*op. cit.*, pg. 16) writes that in times of apparently high civilization and culture financial theories are absent because they lack the influence of the changes characteristic of a new stage in social development. This may be true if understood in the sense that social conditions, from which financial phenomena depend, comprise factual and institutional, as well as spiritual and cultural, factors. Which is moreover in accordance with the idea of the gradual

changing conditions of actual life and the tendencies and principles of political art, which Ricca Salerno clearly indicates as "reflected in the fundamental systems and doctrines of the science of finance" [35]), how could they be understood if not in relation to the spiritual conditions of that same actual life and to the ethical principles of politics and of law? At the same times — writes Prato — the same economic phenomena have given rise to theories which are different or even downright opposed to each other, which is a proof of the differences in the minds which gave them birth, such mental differences being in turn the product of "different philosophical and political doctrines of the times, which influence theories no less than concrete facts do" [36]). If it may be doubted that this may be so in respect of economic theories as such [37]), there ought to be no such doubt in respect of financial doctrines, at least not for those that form the scientific body of finance, in view of the peculiar character which financial principles assume as rules of conduct. A number of expressions, related in their sense, concerning the representative function of finance in regard to the State, to its political life, to its men of government, to its economy, and so forth, may thus be summarized: *finance is the mirror of the State*. But the State is not merely a material and legal structure, it is not simply the economy and the institutions of its people; the State is the

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elimination of errors as the object of historical doctrinal research (see at the end of footnote 31 above), since the degree attained by the development of culture and of thought in general is a condition for the discovery of error.

[35]) *Nuove dottrine sistematiche nella scienza delle finanze,* in "Giornale degli economisti", 1887, pg. 375.

[36]) G. Prato, *Lezioni di storia delle dottrine economiche,* 1st. printed edition with notes and indexes by Antonio Fossati, Turin 1945, pgs. 1/2.

"*The progress of philosophy* and the *French revolution* have led to new economic and social researches on the *functions of the State* and on the limits of its *action,* and through this new principles of public law have been acquired and on the other hand preliminary materials have been laid out for the science of finance" (Warner, *op. cit.,* pg. 36 in the translation of the "Biblioteca dell'economista"). "A new phase was opened for financial studies after the war of 1914/1918 by the appearance of new philosophic and political currents opposed to those which had characterized the nineteenth century. The new concept of the rights of the State and of its multiple divisions, as well as the concept of the prevailing of general upon private interest, could not fail to influence financial studies as well. The new political and philosophic currents have, according to some authors, left specific imprints on the objectives of finance....." (A. Garino Canina, *Appunti di scienza delle finanze,* Turin 1946/47, pg. 38).

[37]) It is known that everybody is not agreed on the necessity of taking environment into account in dealing with the history of doctrines (mesological theory), with economic doctrines the question is repeated in practically all historic treatises.

entire body of the culture and of the philosophic and moral spirit of its time and of its particular atmosphere for conditions of economic and legal life. To limit oneself only to that first aspect means to accept the influence of marxist philosophy, which, at the time when Ricca Salerno's history of financial doctrines was written, enjoyed much better conditions to affirm itself on a speculative terrain.

9 - It is not enough tacitly to indicate the relationship between general speculative thought and the moral conscience of the times; it is still necessary to isolate and explain it. Failing this, financial doctrines appear inadequate, they do not attain to be comprehensive, and they do not yield to the historian the manner of justifying them in the full light of historical development; above all, it will not be possible to grasp the full domain of the speculative idea, upon which science will root its principles and develop its theories. These is a rational order of ideas and of principles which tends to justify the institutions, the usages and the events of a financial nature, in the same way in which that order tends to justify moral, legislative and legal matters in every other realm of life, factual, civil or political. Nothing less than that rational order can in the various epochs shed light on the doctrine of the justification for taxation, which is nowadays expressed as the theory of the legal cause of taxes, the exponents of which would have found in it a great practical interest in matters of jurisprudence.

10 - In other respects it is noted that Ricca Salerno's history of financial doctrines largely pertains to the philogical type of history: in it, financial thought — variable in its specific aspects according to the place and the time and yet possible of unification through the one scope which is in the financial objective — is reproduced in respect of each author (whether a philosopher, a moralist, a politician, a public official, etc.) with reference to some particular problem regarded as financial. It is always "thought alien and past", not criticism, which would be "thought ours and present [38]). Moreover, there is no intellectual bond between the ideas and the principles to which is attributed the function of discovering whatever is rational at the bottom of every problem and which consists in that harmonious lien that discloses its unifying cause. But not only in this "first attempt ever made of a history of financial doctrines in some of the more civilized States" — as the first lines of the book say with good reason — have the discords abc the object, and the defectiveness about the method of this branch of historiography remained. Through

[38]) Croce, *Teoria e storia della storiografia*, *cit.*, pgs. 21 and 153/154.

more than fifty years of great progress in the science of finance, Ricca Salerno's work has been joined by a number of fragments of doctrinal history of various designs and types; but so far as the scope and method required for the full scientific utility of that history are concerned, the improvements have indeed not been very ingratiating.

Other reasons may still be indicated for this persisting deficiency; but what we have written so far is enough for us to feel justified in saying here and now that the basic question of scope has not yet been solved. It remains very difficult to extract, from an ever increasing welter of debate about the contents and the theoretical nature of the science of finance, a system of secure principles for the solution of that question.

11 - The chronological and the topographical methods are combined [39]) in Ricca Salerno's history of financial doctrines. From then on, variances in method have been very few, except for what Vignes was later to say. The specific rather than the universal method has been given preference, and authors have chosen to consider given countries individually. The monographic method has so far been applied only for specific writers and for specific doctrines; regarding related writers or similar groups of writers or schools, and again for groups of doctrines, even less has been done; and very little indeed has been archieved in the field of the critical history of doctrines. Whereas the conduct of history gradually passes from the chronological universalistic method to the monographic, synthetic, critical and systematic historiography as a tool for scientific research becomes always more abstract and more universal.

The universalistic method assumes the character of a repertory and of a bibliographical index in Gangemi's *Lineamenti* [40]) and in the chapters or paragraphs on literature which are to be found in most treatises or text-books on finance, from that of Wagner [41]) to that of Griziotti [42]).

Belonging to the particularistic and chronological types, in regard to certain countries, are the following: Ricca Salerno's study on

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39) The former references to the "Development of the science of finance and of its literature" in Wagner's *Scienza delle finanze* (to which we already have alluded in a preceding footnote) are totally inadequate from a systematic standpoint.

40) *Lineamenti di letteratura finanziaria,* Milan 1929.

41) We have already had our say about Wagner. Before him, Rau had studied ancient literature (Wagner starts with Adam Smith).

42) *Primi elementi di scienza delle finanze,* 2nd. ed., Milan 1946.

England [43]); Seligman's *Geschichte* for France, Great Britain, the United States, Italy and other countries [44]); Mayer's *Geschichte* for Germany up to the eighteenth century [45]) and, again for Germany, Meisel's continuation of the preceding work (although with a partially different method) up to the first years of the twentieth century [46]). Also to this kind belongs one of Griziotti's works on doctrinal history for Italy, which is divided by groups of writers [47]), although it shows a very different object that its author had in mind and which would have demanded the use of the monographic method after a systematic pattern. There stands away from these a diffused work by Fasiani [48]), which, concerning Italy, and with more systematic criteria and monographic method, expounds the current arguments of the general theory of finance according to two groups of affiliated directions, and which takes care to distinguish and to group apart the theoretical economic arguments relating to the effects of taxation.

Monographic studies dealing with individual writers and statesmen are plentiful, and tend to become always more so, as a clear sign of an increasing interest for the history of financial doctrines which has been building up as a result of a more ample and systematic monographic method [49]); to say nothing of the wealth of studies on individual economists where emphasis is given to the expression of their thought on problems of finance. Monographic historical studies of individual theories are to be found in practically all scientific treatises on the related problems, but there are also similar others with an exclusively historical method [50]). Among

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[43]) *Le dottrine finanziarie in Inghilterra tra la fine del secolo decimosettimo e la prima metà del decimottavo,* Bologna 1888.

[44]) *Geschichte der Finanzwissenschaft ausserhalb Deutschlands, insbesondere seit Beginn des 19. Jahrhunderts,* in Gerloff and Meissel's "Handbuch der Finanzwissenschaft", vol. I, Tubingen 1928.

[45]) *Geschichte der Finanzwissenschaft vom Spaetmittelalter bis zum Ende des 18. Jahrhunderts,* in Gerloff and Meisel's "Handbuch der Finanzwissenschaft", vol. I, Tubingen 1926.

[46]) *Geschichte der deutschen Finanzwissenschaft im 19.Jahrhunderts bis zur Gegenwart,* in Gerloff and Meisel's "Handbuch der Finanzwissenschaft", vol. I, Tubingen 1926.

[47]) *Le tradizioni secolari e il progresso attuale degli studi di scienza delle finanze in Italia,* Rome, I.R.C.E., 1943, which contains in addition the italian bibliography for the last twenty years.

[48]) *Der gegenwaertige Stand der reinen Theorie der Finanzwissenschaft in Italien,* in "Zeitschrift fuer Nationaloekonomie, Vienna 1932/33.

[49]) In the original Italian version an abundant documentation has been given in *Study in onore di Gino Luzzatto,* Guiffré, Milan 1950, vol. 4, pg. 134, note 7.

[50]) L. Einaudi, *Contributi fisiocratici alla teoria dell'ottima imposta,* in the volume of "Saggi sul risparmio e l'imposta", *cit.* (which may be regarded also as a critical study of individual writers); Id., *La scienza italiana e l'imposta*

those, the *Histoire* of Vignes [51]), chiefly dedicated to the principle of the universatily of taxation, deserves a special and important place. And we come always nearer to the systematic function of doctrinal history with the type of history by groups of specific theories, to which Seligman's *Storia della dottrina dell'incidenza* [52]) belongs.

In the field of the history of general doctrines of public finance, there are studies systematic in nature, especially as introductory chapters in treatises on finance [53]); but in these, as in works of specific scientific research, what prevails is the critical listing of theoretical arguments on the theoretical nature of financial phenomena and on the general principles of taxation [54]). To the type of history by schools, and to that which addresses itself to developments of the general theoretical systematization of financial activity, belong some short studies such as, for example, those of Giuseppe Ricca Salerno [55]), Tivaroni [56]), Griziotti [57]) and Paolo Ricca Salerno [58]). Special contributions, through brief analyses, to the critical history of the science

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ottima, in the volume "Miti e parodossi della giustizia tributaria", Turin 1938; F. Garino, Canina, *Il progressivo sviluppo del pensiero finanziario nei riguardi dell'imposta straordinaria e del prestito,* in "Economia", 1941; U. Ricco, *Sur la théorie de la capacité contributive, in* "Egypte Contemporaine", 1932; J. Tivaroni, *Vecchie e nuove tendenze relative alla spesa pubblica,* in "Giornale degli economisti", 1934; these are enough to cover the subjects capable of being treated historically.

[51]) *Histoire des doctrines sur l'impôt en France,* Paris 1909.

[52]) In the volume *La translazione e l'incidenza delle imposte,* in "Biblioteca dell'economista", 1921, 5th series, vol. 16.

[53]) L. Cossa, *Primi elementi di scienza delle finanze;* A. Roncali, *Corso elementare di scienza finanziaria;* G. Ricca Salerno, *Scienza delle finanze;* A. Graziani, *Istituzioni di scienza delle finanze;* G. F. Bastable, *Public Finance;* G. F. Shirras, *Science of Public Finance;* A. Garino Canina, *Appunti di scienza delle finanze;* L. Gangemi, *Elementi di scienza della finanze, cit.,* vol. I; E. Morselli, *Corso di scienza della finanza pubblica,* 4th. ed. 1949, vol. I; etc.

[54]) M. Pescatore, *La logica delle imposte,* Turin 1867; F. E. Geffken, *Essenza, compiti e storia della scienza delle finanze,* in "Biblioteca dell'economista", 3rd. series, vol. I; R. A. Murray, *Le nozioni dello Stato, dei bisogni pubblici e dell'attività finanziaria,* Rome 1913; A. J. Sbarounis, *General Directions of Public Finance* (in à Greek, with a good index-summary in French), Athens 1935; etc.

[55]) *Nuove dottrine sistematiche nella scienza delle finanze, cit.*

[56]) *I nuovi indirizzi degli studi finanziari in Italia,* inaugural address of the academic year 1920/21 in the University of Ferrara.

[57]) *Primi lineamenti delle dottrine finanziarie in Italia nell'ultimo cinquantennio,* in "Economia Politica Contemporanea", honorary volume for Supino, vol. 2, Padua 1930; Id., *Vecchi e nuovi indirizzi nella scienza delle finanze,* in "Rivista di politica economica", 1937; and lesser ones. For the reasons stated on page 14, we may again recall the greater work on doctrinal history by the same author: *La tradizioni secolari* etc., *cit.*

[58]) *La tradizione italiana e i compiti odierni nella scienza delle finanze,* in "Rivista di diritto finanziario e scienza delle finanze"; 1939.

of finance are for example those of Pescatore [59]), Puviani [60]) and Scherma [61]). The two works that loom largest, in monographic development, dedicated to the scientific systematization of financial phenomena, are the *Saggi* of Lolini [62]) and the *Pressupposti* of the present writer [63]). In this same category, a special reference is deserved by the chapter *The Science of Finance* in a book by Myrdal [64]), on which we shall have more to say presently.

12 - A complete history is still lacking referring to all that has been written so far of the profound thinking of philosophers, politicians, jurists and economists, in regard to those problems that at all times have worried statesmen as to how to solve by means of wealth the problems of the ends of public life, as well as to all the theoretical arguments and analyses of those same problems ever since science of finance came into being. Through a critical examination of the former one would reach more realistic theoretical foundations for financial phenomena, the nature of which runs parrallel to the evolution of ethical philosophy and of the science of the State, and over and above those foundations the specific theoretical arguments and analyses would reach more adequate solutions. The monographic method is to be adopted for such a study; but we are not ignorant of the fact that against this serious difficulties are opposed by — among other causes — the insufficiencies that are to be found in the historiography of political doctrines in respect of certain specific problems [65]).

13 - Through the monographic method there can be unified in one common stock of ideas the variety and apparent discord of opinions, thus making it less difficult for scientific research to reach a system of reliable principles. The science of finance ought to establish a relationship between the general speculative foundation upon which financial events are rooted, and the specific elements of the actual financial problems.

These elements are variable, and therefrom in concrete finance

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[59]) *La logica delle imposte, cit.*

[60]) *Sulle idee finanziarie di Adamo Smith. Contributo alla storia critica della scienza delle finanze,* in "La riforma sociale", 1898.

[61]) *Le vecchie e le nuove dottrine intorno alla nature del fenomeno finanziario,* 1910.

[62]) *L'attività finanziaria nella dottrina e nella realtà: saggio di una sistemazione scientifica dei fenomeni finanziari,* Rome 1920.

[63]) *La dottrina del tributo: i presupposti scientifichi della finanza pubblica, cit.*

[64]) *L'elemento politico nella formazione delle dottrine dell'economia pura, cit.*

[65]) *See above, paragraphs 1/2.*

different and changing effects occur. Yet it is nonetheless possible, through abstractions expressing the permanent features of the phenomenon, to define concepts that reveal the liens that unite the elements at variance with each other and with the general principle of political philosophy — which comprises as well the ethical, religious [66]), legal and economic principles — in a systematic treatment both in terms of time and order of magnitude. What belongs to the changing and the variable cannot form the object of a science of finance resting on speculative bases and conducted with a rational method.

As an example, we recall a principle stated by J. B. Say [67]) and ever after accepted and repeated by all writers on finance, according to which income is properly the true basis for taxation [68]). It has been largely those whom we have elsewhere [69]) called the "economists of finance" who have made of that principle the common basis upon which the ruling principles of public finance are erected. The principle that income is the basis for taxation neither expresses nor contains any economic law. Whatever lies under the specific concept of income — and that includes the economic laws of production, of distribution and of price-formation, in other words the laws of economic equilibrium — bears the effects of financial provisions rather than determines them. No more can be said of economic laws

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[66]) Studies like the following are therefore justified: Chen, *The Economic Principles of Confucius and his School,* "Columbia Studies in History, Economics and Public Law", monograph nrs. 112/113 (especially indicated for the financial aspect); Aghnides, *Mohammedan Theories of Finance,* monograph nr. 166 of the above quoted collection; E. Scialpi, *Ordinamenti e procedura tributaria nelle fonti bibliche,* Padua, Cedam, 1948; Id., *Moderni riflessi della costituzione tributaria di Cristo,* to be published shortly.

[67]) Of course in that passage we referred to what began then to be expounded as a scientific principle. However, as occurs with many other principles which originate as precepts — and thence should better be called *rules, canons, norms,* and the like — even the one to which we refer in the text was present in the mind of writers prior to J. B. Say. Above all, the writers who in the 17th. and 18th. centuries sustained the preference for taxes on consumption, understood it in view of better expressed motives of psychology and financial technique. Ortes (1774) even says specifically that whatever is assessed as a public contribution should be a part of the annual national income. The more one advances in time, up to the writers contemparary to Say, the more clearly one finds such ideas expressed, also by Italians, such as A. Ressi (*Dell'economia della specie umana,* Pavia 1820, vol. 4 pgs. 468 ff.) who expresses it in an original form and yet not in a doubtful manner. The formula worked out by Say (see next footnote) has the clear advantage of explaining the idea behind the rule by means of the constant flux and reproduction of income.

[68]) "As to incomes, whatever their origin, they are properly the true taxable matter, because they are ceaselessly reproduced".

[69]) *Dottrina del tributo, cit.*

than that they influence the elaboration and discussion of financial provisions, but even in this they are not the only factor. The above principle, as formulated, and as it may be of use to the science of finance for a systematic arrangement in time of the factors that actuate through it upon the ethical and legal elements of the State's action upon income for the pursuit of its ends (or in other words upon the object of finance as this now is in process of formation), is nothing more than an obvious rational principle of political and ethical philosophy. In fact, outside of its ethico-political significance, which explains the convenience of normally assessing taxation upon income, who could contest (except with arguments of a sociological nature relating to economic forces, which might demonstrate — too late to be of practical efficiency — the corruption of the administration) the State's right to impose even non-extraordinary taxes upon estates and assets in general, irrespective of the income of individual taxpayers, or of the community as a whole? And the significance of that principle, which by itself is not economic, is, when one would not violate the ethico-political rule which gave it birth and scientific value, that of a rule of financial politics, but also that of a rule for the interpretation of tax statutes [70]). Positivists will disagree by saying that the idea of *scientific* is here confused with that of *rational* [71]). However, no writer of finance has ever endeavoured to deny the absolute value and the importance of that rational speculative principle, even with regard to the method of systemati-

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[70]) There is no need to repeat that, owing to the speculative foundation of ethical and political philosophy, a rational principle such as ,that which now concerns us cannot have practical efficacy except in reference to historical and factual conditions. According to Mosca (*Elementi di scienza politica,* 3rd. ed., vol. I pgs. 127 ff.), in the feudal state the assessment of taxes was based on quite a different principle: to let the worker of the soil (which is the property of the feudal lord) retain only what is necessary to his subsistence, which is tantamount to a criterium of cost of production of income, the latter going in its entirety to the Treasury. That interpretation deserves to be more deeply studied in respect of scientific speculative method, and it will perhaps yield an element of truth. On the other hand, much less of what has been said of the "bureaucratic State", which corresponds to the modern State, is of any use to that method. For instance, not even the principle that the basis of taxation is income would apply, the cost principle applying instead, although under a different motive, namely that of the assessment of so much income as would cover the cost of bureaucracy; consequently, income from private economy could be subject to all misuses to which the cost of the State machinery gives rise, without any limits other than that of the economic calculation of the interlimits other than that of the economic calculation of the interest of bureaucracy itself, which is to say, of the interplay of political and sociological factors.

[71]) A. Namia, *Principes de sociologie et de politique,* Paris 1928, pg. 383.

zation of public finance, and even that it were to be included in the category of a maxim.

14 - Now, if we go back to the idea of the relationship between the general speculative fundament and the specific constitutive elements or factors that concur to determine concrete financial phenomena, we may wonder as to what happens when one reaches the stage of actual processes for assessing taxation on income. It is in this respect that answers disagree according to the feeling, the times and the evolution of economy and of political objectives. However it is not the principle of taxation which is then at stake, but its form [72]). In fact, all debates which occur in different times and places, as they are brought about by concrete practical financial problems, converge towards that of other principles, from which they receive light and in turn shed light upon the same problems, through which rational, or in other words scientific, financial principles undergo a slow and gradual transformation. But the science of finance is composed of such principles, systematically arranged around its own sole object [73]).

What is variable and changes according to different combinations of circunstances of time and place belongs to a different order of studies: to financial politics, art, technique and legislation. There is another specific order of results, which, having to do with the economic aspect of financial problems, are studied by economic theory according to the positive method and which properly belong to economic science. Finally, it is not to be excluded that financial phenomena may also studied under still another aspect, which would take into account the attitude of social and political groups as well as the possible qualities of statesmen. Under this last aspect the study tends to become sociological, but in a sense with wich one should avoid to confuse [74]) the essentially political character of the science of finance, which makes it one of the sciences of the State.

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[72]) One reaches situations like the one mentioned by Stourm, *Systèmes généraux d'impôts,* cit., pg. 127, who quotes from a report by Berthelemy entiled *L'impôt sur le revenu en Allemagne,* dated 16th. of Mai 1907: *"Einkommensteuer* is denounced as a hatefully oppressive, indiscreet and tyrannical tax..... which would appear inacceptable, if one did not count upon the unbelivable docility of the people accepting it".

[73]) For a further study of certain matters of the utmost importance for the constitution of the science of finance, which have been mentioned in passing in the present paragraph, we refer the reader to our *Formola finanziaria, cit.*

[74]) We find such a confusion in the scientific address of Griziotti, and we retain this to be the reason of the insecurity of the method of his school, which however retains the merit of having imparted a strong impulse to financial studies in Italy.

15 - A book which, also from the last noted aspect, occupies an exalted position in the historiography of financial thought is the *Histoire des doctrines sur l'impôt en France* by Vignes [75]). While Ricca Salerno's book is first in date and unique for the range of its scope and for its combination of the chronological with the topographical method, universal in character for its evaluation of foreign doctrines yet related to its environment by its study of actual institutions and factual conditions, the work of Vignes is foremost in monographic method und unique in its combination of the different ways in which that method can be applied. The fundamental theme of Vignes's book is the critical history of the doctrines of Marshall Vauban as expressed in his *Dîme royale,* where the principle of the universality of taxation prevails, through all the impassioned question of privileges. It is critical history because it is undertaken in the light of the sentiment of justice, of culture, and of political, financial and economic doctrines, as well as of the conditions of the realm and of the economic conditions which, from the times prior to the *Dîme royale* to the end of the *ancien regime,* explain the gradual transformation and evolution of the principle of universality, which occupies the larger part of Vignes's book.

And this is true history [76]), it is the history that has scientific sense and value as a contribution to the elaboration of the principles of the science of finance, based upon political and ethical philosophy, since in it came to merge all cultural forces of the past, or at least of that past which, together with the present, shapes an entire historical epoch, or of that past which stands apart from the present as marking the borderline that divides two epochs. Furthermore, the scientific value of Vignes's critical history is derived from the relationship that it goes on and on disclosing between the evolution or transformation of the principles stated in the *Dîme royale* and the theories that for the different financial problems were being expressed in the course of time in France and even abroad, as, for example, when he studies, with a spirit of scientific research, the theoretical reaction against privileges in Italy, in England, in Holland, in Germany and in other countries.

Again, in Vignes's history the positive method of economics is given a position subordinate to the rational method of moral philosophy, as, for example, when he identifies the doctrine of the opponents of the whole of the fiscal privileges as having an "economic

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[75]) Already quoted. The full title is *Histoire des doctrines de l'impôt en France: les origines et la destinée de la Dixme Royale de Vauban.*

[76]) See note 31 above.

foundation" inasmuch as its arguments are all evolved from motives of damage to, and hindrance of, production and circulation of wealth, brought about by the continuation of the privileges, rather than to try to find the reason for their decadence in the sentiments of justice and in the moral philosophy of the times. The constructive method of the doctrinal history of finance might indeed find lessons in Vignes's book.

16 - This book of Vignes's brings to our mind another instance of financial principles regarding which, ever since they were stated for the first time, discussion has never ceased, because each of these principles becomes ever more often the foundation for specific theoretical schemes or for the interpretation of tax laws. Those principles stem from a totally different terrain than the positive one: if one had to justify their formation on, say, economic grounds, this would be no more than an auxiliary element able to impart developing force and maturity to an idea born on speculative terrain. And those principles are such, that if one were to deny them scientific value, it seems to us that scientific value ought to be denied to the entire edifice that rests upon them and which is nothing less than the science of finance itself, from whatever angle it is considered.

One example is the principle of the universality of taxation, which is but one specific manifestation of a more general principle introduced by political and ethical philosophy. To the principle of universality, in effect, corresponds the principle of the equality of treatment of all subjects of a given State. And like the principle of equality, that of universality becomes a moral precept for the legislator, in the sense that the latter ought not to produce laws that would infringe that principle [77]). With regard to finance, which becomes legal order through the complex of laws that regulate taxes, financial control, and so forth, the principle of universality (from which stems later the principle of uniformity expressed in terms of equality or proportionality of sacrifice) explains the nucleus of its scientific system, no less than the practical trend of financial politics.

Here we find again the problem already mentioned [78]) of the legal foundation or cause of taxation, nowadays so much discussed in the science and the law of finance. Even the writers most inclined to locate that cause in the very law that institutes the tax do not entirely renounce reference to the principle of the universality of

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[77]) See V. Colorni, *L'eguaglianza come limite della legge nel diritto intermedio e moderno*, Milan 1946, pgs. 14 ff.

[78]) See above, at the end of paragraph 9.

taxation, which has as counterpart the existence of general and non-divisible public services; and by so doing they implicitly admit that there is an inescapable basis of morality and of political ethics in all commandments of the fiscal legislator. However, for the greater part of the writers, as we shall indicate more fully — that tendency is no more than a simple affirmation of scientific positivism. This is made clear by the fact that these writers refer (either explicitly or implicitly) to an economic principle of *non-refusable offer* of public services: incapable of being rejected because they are general and non-divisible services (which does not necessarily means non-divisible also in a technical sense), and which therefore *justify* (that is, give *just* cause or legal cause for *taxation*. One is almost led to think that those critics — strongest among them Myrdal — who say that there is a dogmatic metaphysics in matters of finance, as in all economic matters (even for Myrdal finance is economics) [79]).

Principles such as that of the universality of taxation, even if apparently unsatisfactory in the light of concrete finance (as other such principles, like the one previously considered that income is the proper basis for taxation, also appear unsatisfactory), exercise the scientific function of "demonstrating that reality is much more profound and much more rational than it would seem to be" [80]).

17 - The Swedish historian and economist Myrdal [81]), whom we have already quoted more than once, faced as a problem of doctrinal history, with exceptional, vigour and depth of study, a thesis of great importance concerning the fates of political economy with regard to its bases and its method. That thesis is: "the function exercised in pure economics by political speculation" and it is exposed "in a historical and critical manner".

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[79]) "Positivism, which would have nothing to do whith "metaphysics", aimed in this design at dogmatic and transcendental metaphysics, which had penetrated the thinking of Kant and of his successors; and its aim was a good one, even though it afterwards confused metaphysics with general philosophy, or dogmatic with critical metaphysics, or in other words the metaphysics of the being with that of the mind, and whether in this it was not entirely free from that which it proposed to attack" (Croce, *Teoria e storia della storiografia, cit.*, pg. 280). "We have reached a stage in which the nature attributed to the theoretical study of law serves no other purpose than that of taking that study into a foggy sphere, which can shed upon the practice nothing but a damaging hail instead of a fertilizing rain. We should instruct our theorists to forsake the study of certain theories that are entirely useless and which can be left to *abstract* philosophy....." (V. Scialoja, *Diritto teorico e diritto pratico*, in "Rivista di diritto commerciale", 1911, Part I, pg. 941).

[80]) G. Capograssi, *Il problema della scienza del diritto*, Rome 1937, pg. 20.

[81]) *L'elemento politico nella formazione delle dottrine dell'economia pura, cit.*

The "science of finance" constitutes in Myrdal's book the title of a chapter (comprising 54 pages) which occupies about one-fifth of the volume, under the general heading of "pure economics". This is one of the reasons why we retained that there is a remarkable interest in discussing that work in the present essay on the historiography of financial thought. Another reason may be added: we regard as exceptional the orthodoxy with which Myrdal's book considers, almost to the present day, financial problems as fused with those of pure economics.

While it is an error to include the science of finance in pure economics, on the other hand the former has had the distinction to occupy a large part of a book which centers upon a problem of doctrinal history. Consequently, if we take it isolatedly, that historico-critical chapter devoted to the science of finance is of interest as a historiographical instance of properly financial thought by itself. As and when we shall deal more directly with the problem of the object of financial doctrines [82]), we shall endeavour to demonstrate that their final separation from the rest of the arguments evolved by political economy should be reached, and that the "metaphysical birthmark" — which forms the ever-present accusation of the book — of economic research cannot be retained unchanged for the theory of finance. Such identity would at any rate be a preconceived thesis, and as such it may be regarded from the start as inoperative for the research of the historico-critical method for explaining the functions that political speculation has exercised upon the science of finance.

The reader who has followed us so far will easily evaluate the importance for the formation of general financial doctrines that we attribute to the historiographic type of financial thinking characterized by a speculative and rationalistic fundament for historical research. The fact that Myrdal reaches negative results concerning the existence of such a fundament for a "pure" science of finance as he conceives it as a part of the science of economics is certainly no argument against the method and the scientific scope of the investigation. As soon as the true nature of the problems that concur to constitute the object of the science of finance have been independently clarified, it will be possible to overcome the difficulties

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[82]) It is well to advise that the present paper was originally written in view of a different title: *"On the Object of the History of Financial Doctrines"*. Otherwise the subject could not be fully developed with in the limits space available, and would have to be reserved for development elsewhere. We therefore had to modify the title, while preserving the text unchanged, which however has an appropriate character of autonomy as compared with that which is to come later.

that up to now have been imagined, or that have actually affected the historical research of financial doctrines.

18 - Myrdal passes from a historico-metaphysical interpretation to a sociological one. These are his concluding words on the science of finance (on page 314): "Realistic research on the effects of taxation therefore should concern itself with the entire fiscal system, with every word and every paragraph; it should probe deeply into the sociological and the psychological aspects; it should finally be based on a dynamic theory of price formation. This is merely an attempt at characterizing the general line of development, according to which the science of finance shall probably be elaborated. It will be noted that the views expressed here appear everywhere since the war, particularly in more practical discussions of problems of financial politics".

Unless all this is reduced only to an examination of the economic effects of taxation — in which case one would not see what else remains of scientific interest for finance [83]) — it cannot be said that Myrdal is entirely cogent, at least in regard to the point already noted by us [84]), where he indicated that particularly from the standpoint of practical proposals the political contents of financial doctrines should be of special importance to the history of the doctrines. He concludes by saying instead that the conclusions of profound realistic research of the sociological and psychological effects of taxation appear "particularly in the more practical discussions of problems of financial policy" [85]).

We recall what we have said before about the economic tenet

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[83]) In a note on pg. 307 the author adds: "There are of course other problems in the realm of public finance. There is for instance a scientific motive for investigating existing institutional conditions, and therefore for cultivating jurisprudence and for engaging in historical, sociological and psychologico-social researches about the objectives and the factors of the social epoch, which have brought about this result and which will continue to influence the development of financial policy. These and other problems fall outside the scope of our work..... It is undoubtedly exact that political "objectives" are rationalized in such principles of the theory of finance — in fact the entire theory of finance is nothing but a vast experiment addressed to such rationalization. But this does not mean that their study finds an adequate starting-point in those or in other similar rationalizations..... The study of politics must proceed from the admission of their non-rationality. This is the great progress of sociological research, which is now in process of realization". But this is not the proper place to exploit this new idea (if it really is a new idea), in view of the sociological contents already present in the basic problem referred to above.

[84]) See note 10 above.

[85]) There is a close analogy of method with Sensini's general picture (see note 18 above), as well as with the sociological trend of other writers.

of the *"non-refusable offer"* of public services: from this the economists of finance draw their justification of taxation, that becomes in turn for jurists the research of the "legal cause" of taxation, which ultimately appears to become "the absurd endeavour to reach a concept of final justification" [86]) of taxation.

To insist upon regarding financial theory, with all its concurring sociological and psychological factors, as based upon the dynamic theory of prices (apart from what in that research should properly belong to political economy in respect of the economic effects of taxation [87]), seems to us to be basically similar — except as to questions of method — to the abstract hypothesis present in the principle of non-refusable offer of general and undivided public services. That principle is based on an "abstract and hypothetical reasoning, by way of which one would, in studying man, altogether ignore what in man is determined by community living and by social ties" [88]).

The sociological attitude of Myrdal identifies itself with that hypothesis, where there is a logical experiment which aims at establishing as a postulate the motive for taxation and the need for social life. Such a thesis is undoubtedly individualistic: it gives way to the doctrines of natural rights and of utilitarianism, that Myrdal had set out to attack.

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[86]) L. Secco, *Luigi Knapp e la sua filosofia del diritto*, Padua 1936, pg. 26.

[87]) The sense of this has been more than once explained in the preceding pages: see particularly note 27 above.

[88]) Giorgio del Vecchio, *Lezioni di filosofia del diritto*, 3rd. ed., Rome 1936, pg. 283.

SUR LA HISTORIOGRAPHIE DE LA PENSEE CONCERNANT LES FINANCES PUBLIQUES

SOMMAIRE

1. Faible développement de l'historiographie de la pensée concernant les finances publiques en comparaison du développement puissant de l'historiographie des doctrines politiques. 2. La raison en est le manque de définition et de limitation de l'objet de l'histoire des doctrines financières. 3. Anoter l'absence de problèmes financiers dans l'historiographie la plus récente de la pensée économique. 4. Le développement et les courants théoriques dans la science financière à partir d'Adam Smith jusqu'à nos jours. 5. Il est évident que les historiens des doctrines économiques s'abstiennent de traiter des doctrines financières parce qu'ils les considèrent d'une nature non-économique. 6. Etude critique de quelques ouvrages sur l'histoire de doctrines économiques publiés dans les dernières cinquante années, du point de vue de la pensée financière. 7. La fonction de la pensée financière dans l'histoire des doctrines économiques. 8. L'histoire des doctrines financières par Ricca Salerno. 9. Elle oublie d'étudier la relation de la pensée financière avec la pensée spéculative générale et avec la concience morale. 10. Elle appartient proprement au type philologique de l'histoire. 11. Etude critique de litterature sur la pensée financière classée par types et par caractéristiques de méthode. 12. La manque d'une histoire complète dans le genre monographique. 13. Le genre monographique en relation avec l'objet d'une science des finances sur des bases spéculatives et rationaliste dans sa méthode. 14. Sur les éléments variables et changeants en relation avec l'histoire des doctrines. 15. Histoire critique des doctrines et la philosophie morale et politique dans la pensée financière. 16. Le principe de l'universalité de l'impôt et la philosophie morale et politique. 17. Une tentative récente pour considéret la science financière sur les plans historique et critique comme partie de l'économie pure (Myrdal). 18. Interprétation sociologique et „abstractionisme" physique.

THE SIXTH ANNUAL INSTITUTE ON FEDERAL TAXES

The Sixth Annual Institute on Federal Taxes was held in Washington D. C. from October 12 to October 23, 1950. Like in previous years, it was sponsored by The American University and organized by Dr. Fritz Karl Mann, chairman of its department of economics and business administration. The number of tax experts who joined in the discussions was still greater than in the preceding years. Eighty five attorneys, accountants and economists took active part either in presenting papers or in sharing in the round table debates. Following an innovation made in the previous year, the program opened with a Moot Tax Court Trial. Various controversial subjects were covered, for instance, controls of tax avoidance, dividing a corporate business, preferred stock dividends and recapitalization, cases in which the government is considering criminal prosecution for fraud, marital deductions, alimony and separate maintenance. The organization of the Bureau of Internal Revenue and the significance of the revenue legislation in 1950 were discussed. One session was devoted to an analysis of District of Columbia taxes.

The proceedings of the previous *Institute on Federal Taxes* have recently been published. They represent volume 3 of the series *Current Issues in Taxation,* edited by Fritz Karl Mann, director of the Institute.

BOOKREVIEW/CRITIQUES

Morselli (Emanuele): Corso di Scienza della finanza pubblica, vol. I: Primi principi di Scienza delle Finanze e Diritto finanziario, 4e ed. riveduta ed aggiornata con la nuova Costituzione Italiana. — Padova, Cedam, 1949. — 25,5 × 18, 322 p., 1200 lire.

Contrairement à ce que beaucoup s'imaginent, la recension est un genre extrêmement délicat. Qu'il l'attribue à Boileau ou qu'il sache que son véritable auteur est Destouches, peu importe, il n'y a pas un français qui ne connaise le vers fameux qui proclame que „La critique est aisée et l'art est difficile". Il faut donc que „le critique" commence par surmonter tout d'abord ce préjugé défavorable qui consiste à tenir en médiocre estime le fait de formuler des griefs à l'encontre de l'oeuvre d'autrui, alors qu'on n'est peut-être pas soi-même l'auteur de travaux d'une qualité susceptible de vous donner le droit d'être tellement exigeant. Et il n'est pas sûr, à cet égard, que Boileau soit précisément à l'abri du „malaise" que suscite cette exigence. Toutefois, dans le domaine des Beaux-Arts, l'activité de „critique" a fini par devenir indépendante de .toute création personnelle ou, plus exactement, la critique a conquis ses titres de noblesse en devenant elle-même une création véritable. Il en a été de même pour la littérature avec un Sainte Beuve, en France, par exemple. Mais dans le domaine scientifique, on ne concevrait pas qu'un auteur puisse être „critiqué" par un profane: un minimum de „qualification" s'impose.

Ceci étant admis, un autre problème surgit aussitôt: quelle est la tâche du critique, autrement dit, qu'attend-on exactement de lui? Bien que beaucoup d'auteurs de comptes-rendus ne paraissent pas toujours s'en soucier suffisamment, il semble pourtant normal de commencer par poser que la première chose à demander au „critique" est de donner une idée sincère de l'oeuvre dont il a reçu la mission de „rendre compte". Il lui faut donc analyser celle-ci, afin d'en présenter une vue synthétique et ramassée permettant au lecteur de son compte-rendu de se faire une opinion aussi précise qu'honnête des buts et de l'économie générale de l'ouvrage en question. C'est déjà beaucoup, puisque nous avons précédemment regretté que tous

les recenseurs ne s'astreignent pas à cette exigence minima mais ce ne ne saurait être — en tout état de cause — qu'un minimum.

Le lecteur du compte-rendu attend autre chose. Il demande au „critique" de lui dire s'il est d'accord ou non avec l'auteur, en tout ou en partie, et de lui indiquer pourquoi. Certains critiques vont parfois très loin en ce sens. Soucieux de „reconstruire" dans la mesure où ils ont, le cas échéant, „détruit", ils exposent longuement leur manière de voir, au point de réélaborer personnellement la matière. C'est aller trop loin, à notre avis, parce que c'est, croyons-nous, sortir des règles du genre, au point de le confondre avec l'article. Certes, on peut, à l'occasion d'une oeuvre, être amené à prendre une position opposée à celle qui s'y trouve défendue et développer, en partant de là, sa propre conception du sujet. Mais on cesse alors de faire une simple critique pour apporter une construction personnelle, et il nous paraît préférable, dans ce cas, d'élever ses développements à la hauteur d'une contribution autonome, c'est-à-dire d'en faire un article, plutôt que de les greffer parasitairement sur une recension. Indépendamment des limites que cela permet de respecter, dans l'extension à donner au compte-rendu, cela nous paraît plus correct, à tous égards, et nous serions presque tenté d'écrire: plus décent.

Nous avons suffisamment donné de preuves répétées de notre admiration de la pensée économique italienne pour avoir le droit, croyons-nous, de nous exprimer en toute franchise et en toute liberté d'esprit sur l'oeuvre d'un collègue italien. Les considérations que nous venons de présenter ne sauraient donc être interprétées comme cherchant à édulcorer la recension de l'ouvrage de M. Morselli, en l'émasculant par avance. Elles sont au contraire destinées, dans notre esprit, à prévenir honnêtement notre propre lecteur de ce qu'il est en droit d'attendre de ce compte-rendu, tel que nous l'avons conçu. Ajouterons-nous que la critique est généralement comprise, en France, sous une forme courtoise, et qu'à l'exception de quelques rares dérogations, il n'est pas dans nos usages universitaires d'envisager l'analyse bibliographique sous une forme âprement batailleuse ou, a fortiori comme une controverse vexante? Et nous aurons, de la sorte, précisé à la fois le fond et la forme du present compte-rendu.

M. Morselli est professeur à l'Université de Ferrare et le titre de son ouvrage indique assez qu'il a entendu écrire un manuel universitaire, autrement dit un cours, à l'usage des étudiants et éventuellement, du grand public susceptible de s'intéresser aux problèmes financiers. Son oeuvre n'est d'ailleurs pas nouvelle, puisqu'elle est déjà parvenue à sa 4ème édition, à laquelle correspond le présent volume. Celui-ci ne constitue en outre, que le Ier tome d'un ensemble qui est appelé à en comprendre quatre. Le tome 2 sera consacré au

système fiscal italien et à des comparaisons internationales, le tome 3 au budget et au trésor, et le tome 4 et dernier à la dette publique.

On pourrait déjà discuter ce plan, et regretter que l'étude du droit fiscal positif ne soit pas rejetée à la fin l'ensemble, comme l'a fait chez nous M. Henry Laufenburger, afin d'étudier à la suite toutes les questions de portée générale, susceptibles de donner lieu à des développements théoriques. Mais il n'est pas certain que cette remarque soit fondée. D'abord parce que nous ignorons ce que M. Morselli compte insérer exactement dans son tome 2. Ensuite, parce que s'il y fait effectivement du droit comparé, il lui sera parfaitement possible de s'y élever à la hauteur des principes directeurs fondamentaux et d'y dégager, en quelque sorte, la philosophie des institutions, c'est-à-dire de s'affranchir d'un commentaire de nature trop règlementaire. Enfin, parce qu'il est bien difficile, en tout état de cause, d'envisager les questions réparties dans les autres livres, impôts, budgets, trésor, dette publique, sans être déjà en partie largement descriptif, sur la base d'exemples puisés dans l'étude d'institutions concrètes. De toutes manières, ces discussions relatives au plan n'ont qu'une portée mineure, et nous n'y avons fait allusion ici que parce que nous sommes en présence d'une pensée latine, chez qui le souci de construction s'apparente étroitement à ce qu'un français considère comme „la logique des développements".

Le tome I, le seul dont nous ayons présentement à nous occuper, est intitulé: *Premiers principes de Science des finances et de droit financier.* Il commence par une *introduction* consacrée au *Phénomène financier en général.* L'auteur s'y efforce de préciser les caractères de ce phénomène, de marquer les différences entre la science et le droit financiers, de donner un aperçu des théories relatives à l'activité financière et de brosser un panorama de l'evolution historique, en la matière. Trois parties sont ensuite respectivement consacrées: la Ière aux *principes généraux,* la IIème aux *recettes publiques ordinaires, en général,* la IIIème aux *impôts.*

La Ière partie se divise en 3 chapitres: I) *Le principe financier en général* (avec 2 sections: I) les règles de l'opportunité financière; 2) Les éléments économiques dans le principe financier); II) *Les dépenses publiques* (avec 2 sections: I) Le principe général de la dépense publique; 2) La nature et la classification des dépenses publiques); III) *Le principe général des recettes publiques* (avec 3 sections: I) L'organisation des recettes publiques; 2) Leur unité; 3) Leurs effets financiers).

La IIème comporte, elle aussi, 3 chapitres: I) *Recettes originaires et patrimoine public* (avec 3 sections: I) Caractères généraux; 2) Caractères financiers; 3) Entreprises publiques et nationalisations); II) *Les taxes* (avec 5 sections: I) Concept et éléments de la

taxe; 2) Mesure et fonction; 3) Classification et modalités; 4) Leur organisation en Italie; 5) Contributions présentant des analogies formelles avec les taxes); III) *Principes juridiques de l'impôt* (avec 5 sections: I) La notion d'impôt; 2) Premiers éléments; 3) Normes juridiques; 4) Eléments accessoires de l'obligation fiscale; 5) Procédés techniques de détermination des bases de l'imposition).

La IIIème et dernière partie comprend 4 chapitres: I) *Les systèmes fiscaux* (avec 4 sections: I) prémisses; 2) les impôts directs et indirects et les principes de la spécialisation et de la multiplicité des impôts; 3) impôt général et impôt spécial; 4) autres aspects); II) *La capacité contributive* (avec 3 sections: I) éléments de politique fiscale; 2) l'impôt progressif; 3) bases de la capacité contributive); III) *Aspect économique des impôts* (avec 4 sections: I) généralités; 2) effets économiques; 3) translation, incidence et diffusion; 4) amortissement; IV) *Aspect administratif et contentieux* (avec 5 sections: I) caractères généraux de l'activité administrative en la matière; 2) assiette; 3) contentieux; 4) perception; 5) sanctions).

On voit que la matière de ce volume correspond à la substance habituelle des traités italiens en ce domaine, sans que l'originalité de l'auteur ait eu lieu de s'y manifester de façon particulière. Ce n'est pas à proprement parler un reproche, étant donné que la qualité de certains de ces traités est telle que tout ce qu'un auteur peut souhaiter est de faire au moins aussi bien. Et il est certes toujours loisible, à un professeur, de reprendre à son compte l'exposé d'une discipline, même s'il n'est appelé à y apporter une note personnelle que dans l'agencement et la présentation.

Nous ne discuterons pas ici de cet agencement. Sans doute aurions-nous préféré voir, dans la Ière partie, le chapitre I rattaché à l'Introduction, et le chapitre III reporté dans la seconde partie. De même, le chapitre III de cette IIème partie aurait été plus opportunément inséré, selon nous, dans la IIIème partie. Mais ce ne sont là, répétons-le, que des griefs mineurs.

Nous ne chercherons pas non plus à anticiper sur le tome II, en nous demandant si la IIIème partie, qui figure dans l'actuel tome I, ne risque pas d'enlever toute possibilité, au prochain volume, d'être autre chose qu'un exposé purement règlementaire de législations positives, c'est-à-dire si les réserves précédemment formulées, à propos du plan général de l'ouvrage, ne sont pas, dores et déjà, définitivement fondées.

Nous nous demanderons plutôt si, étant donnée la très haute qualité de nombreux traités antérieurs de science des finances, en Italie, l'auteur a répondu à ce qu'on était en droit d'attendre de lui: faire au moins aussi bien, dans certaines parties, qu'il ne saurait être question de dépasser ou de renouveler véritablement; faire mieux

sur d'autres, en présentant „l'état actuel" des problèmes, lorsque ceux-ci ont considérablement évolué, depuis l'époque de la rédaction de ces traités.

En ce qui concerne le premier point, nous avouerons que l'exposé de la translation et, d'une manière générale, des effects économiques de l'impôt, nous a beaucoup déçu (IIIème partie, ch. III). La pensée de l'auteur y est claire et ses développements sont faciles à suivre. Mais sont-ils aussi fournis qu'on aurait été en droit de l'espérer? Nous ne le pensons pas. Non que nous soyons partisans, surtout dans un manuel, d'analyses trop fouillées, de nature purement théorique et abstraite, et faisant presque figure — comme on l'a dit précisément à l'occasion de l'étude de la translation — de casuistique! Mais parce que nous pensons qu'il était possible d'être plus complet en demeurant clair et simple. M. Morselli paraît avoir veillé, avec un soin tout particulier, à ne jamais mentionner l'oeuvre d'Antonio De Viti De Marco. C'est une attitude que nous ne parvenons pas à nous expliquer. M. Morselli a sans aucun doute le droit le plus strict de ne pas aimer cet auteur et de ne pas en partager les vues. On ne saurait oublier, toutefois, tout ce que De Viti a apporté à l'analyse de la translation, en renversant le point de vue jusque là traditionnellement envisagé, de ce que nous avons appelé „la dynamique de l'offre", pour prendre désormais en considération „la dynamique de la demande". Nous nous permettons de renvoyer, sur ce point, à notre article sur: *L'oeuvre financière d'Antonio De Viti De Marco* („Revue d'Economie politique", sept.-oct. et nov.-déc. 1946) et à notre *Impôt, Economie et Politique*, t. I, p. 288. Au lieu d'expliquer la translation par les réactions de l'offreur, en présence d'un coût de production accru, De Viti l'explique par les modifications de la demande, provoquées par les nouvelles ressources provenant du prélèvement. Nous avons dit ailleurs ce que nous pensions de cette interprétation. Autant elle nous semble critiquable, si on veut la substituer à l'ancienne, parce qu'on ne fait alors que remplacer un point de vue trop unilatéral par un autre qui ne l'est pas moins, autant elle nous paraît enrichissante, si on l'intègre dans l'explication antérieure. En d'autres termes, on ne doit pas la considérer, à notre avis, comme l'interprétation correcte du phénomène, mais on doit reconnaître qu'elle a opportunément mis l'accent sur un aspect antérieurement trop négligé, et on doit opérer la synthèse, en présentant une explication de la translation par la double dynamique de l'offre et de la demande. Nous n'avons rien trouvé de tel ici, et nous le déplorons vivement.

De même, nous aurions aimé trouver une analyse plus fouillée de l'activité financière, avec un examen attentif du concept de „besoins publics". La question a été abordée, par M. Morselli, dans

son Introduction et dans le chapitre I de sa Ière partie. Mais là, la pensée de l'auteur n'est plus claire du tout. Qu'est-ce que la „convenance financière" de M. Morselli, sinon „l'utilité *pour* une collectivité" de Pareto? A côté des calculs économiques individuels des particuliers, où règne le „Wert für mich" de Menger, il y a les calculs politiques collectifs des gouvernants, où le problème qui se pose correspond à un „Wert für uns". Pour parler dans le vocabulaire de la théorie économique la plus moderne, nous sommes ici en présence de „macrodécisions" et non plus de „microdécisions". Cela ne prouve pas du tout que le marginalisme soit *faux*, mais cela permet, au contraire, de déterminer *ses limites*. Cela ne prouve pas davantage qu'il faille éliminer toute considération d'éléments économiques, dans les choix financiers, mais cela prouve que ces éléments, qui existent de toute évidence, s'y trouvent subordonnés à des éléments politiques, et que ce que De Viti appelait le „calcul financier de l'Etat" ne saurait se concevoir comme il le proposait. Il y aurait eu un intérêt majeur, aujourd'hui que l'analyse théorique est assez poussée en ce domaine, à bien marquer les services que la science des finances peut rendre, à cet égard, à la science économique, qui peut ensuite, et grâce à cela, faire singulièrement avancer la sociologie politique, ainsi que nous avons essayé de le suggérer dans deux articles auxquels nous nous permettons, ici encore, de renvoyer le lecteur: *L'activité financière et la notion de besoins publics* („Revue de Science et de Législation financières", oct.-déc. 1947) et *Science des Finances, Science économique, Science politique* („Openbare Financiën", no. I, 1949).

Mais ce serait déjà là, sans doute, ne plus se contenter de faire „aussi bien" que les traités de science des finances antérieurs, pour les dépasser véritablement, parce que l'outillage conceptuel dont nous disposons à l'heure actuelle est supérieur à celui qui existait à l'époque où ils ont été écrits. Dans cet ordre d'idées, nous ne ferons que suggérer deux autres améliorations, que nous aurions aimé trouver dans l'ouvrage de M. Morselli. La première concerne la théorie des dépenses publiques. Depuis les travaux de Keynes, il y a là ample matière à révision des développements anciennement en usage, et qui se trouvent aujourd'hui singulièrement dépassés. La seconde porte sur les nationalisations et rejoint, de ce fait, la première remarque. Les exploitations publiques risquent fort, en effet, de ne pas être génératrices que de ressources pour l'Etat, et de ne pas pouvoir être considérées, dès lors, sous l'angle exclusif des recettes. On peut même dire que la logique du secteur public nous pousse plutôt à envisager les exploitations qui en relèvent sous l'angle des dépenses pour l'Etat, que sous celui des recettes. Le problème de l'impôt neutre apparaît aussitôt comme correspondant à une conception singulièrement péri-

mée, la fiscalité devenant un levier du dirigisme économique, à côté de la politique des prix et en liaison avec elle. Mais à côté du levier fiscal, il y a le levier monétaire, avec l'inflation, d'où le caractère sinon fiscal, tout au moins para-fiscal, est loin d'être exclu. Et il y a les charges sociales, qui constituent toute une véritable parafiscalité. On revient alors, à nouveau, à la question des frontières entre les deux disciplines: science économique et science financière, et au choix du critère susceptible de nous assurer une ventilation satisfaisante, permettant de répartir valablement les problèmes entre les deux. Sur tous ces points, nous ne pouvons, naturellement, que suggérer des orientations de recherches, sous peine de tomber nous même dans le travers que nous dénoncions, au seuil de ce compte-rendu déjà trop long, et nous bornerons là notre recension, après avoir ainsi marqué tout ce qu'il y aurait lieu de faire, selon nous, pour tenter de dépasser les travaux des grands maîtres, sans oublier que ces dépassements n'auraient jamais été possibles sans eux, c'est-à-dire après leur avoir rendu l'hommage qu'ils méritent et après avoir marqué la dette de reconnaissance que nous avons contractée vis à vis d'eux.

GÉRARD DEHOVE

REVIEW OF PERIODICALS
ON THE SCIENCE OF PUBLIC FINANCE

REVUE DES PÉRIODIQUES
TRAITANT DE LA SCIENCE DES FINANCES PUBLIQUES

Continued from number 4, volume 1950, page 584 and following of this review.
Suite du numéro 4, année 1950, page 584 et suiv. de ce périodique.

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WAR FINANCE AND TAX REFORM IN THE UNITED STATES

BY FRITZ KARL MANN [1])

When, in the summer of 1950, the invasion of Korea suddenly darkened the international horizon, the fiscal climate of the United States changed at once. Most people understood that their dreams of further alleviation of their tax-burden had been too good to be true. Although, during the first part of the year. Congress had planned to remove most vestiges of World War II taxation and to be able to balance the budget mainly by tightening of existing taxes it now became evident that new sources of public revenue had to be found to meet the demands of rearmament and industrial mobilization.

Although the five years phase of peace time financing ended abruptly in the summer of 1950, various reasons prompted the Federal government to move cautiously into the period of war finance. The change in the political outlook had come as a shock to the overwhelming majority of the people. There were, among them still many optimists who believed that the Korean campaign would be a short intermezzo and that, after due punishment of the aggressors, lasting world peace could be restored. Furthermore, the year 1950 happened to be an election year. To win the confidence of the voters, the candidates were expected to make a significant effort in reducing the material sacrifices imposed on the country. Sensitiveness to public opinion, therefore, may partly explain the step-by-step procedure adopted in the revenue legislation of the last year.

The outcome was war finance "on the shoe string" or, as it has been more commonly called, war finance „in installments". It is as if the inevitable shock of an icy shower were made less startling by a gradual shift from hot to cold water.

Yet, at the turning point in Federal tax policies, the legislative work on a new revenue bill had already yielded some tangible results.

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[1]) The article was written in December 1950. I am much indebted to the Tax Advisory Staff of the Secretary of the U. S. Treasury Department for information.

In lengthy debates, conferences, and hearings, the political parties had more or less agreed on a series of revisions known by the catchword of „closing loopholes" and designed to reduce existing tax exemptions and to block highly frequented avenues of tax avoidance. Although, in view of the war needs, any general reduction of excises had to be dismissed for the time being, it seemed pertinent to salvage at least those loophole closing devices, which strengthened the financial position of the Federal government. Originally intended as elements of a long range organic tax reform, they could still be expected to serve the purposes of war finance as well. With the increase in tax rates, any exemption would become more costly to the Treasury. As we know from experience, furthermore, the temptation to avoid taxes is positively correlated with the level of taxes. These circumstances may explain a certain incongruity of the Revenue Act of 1950. When, in compliance with the message of President Truman of July 25, 1950, the Senate Committee wrote the new tax bill, it did not sacrifice all parts of the bill as passed by the House.

In addition to the Revenue Act of 1950, approved by the President on September 23, 1950, a second installment has materialized: the Excess Profits Tax Act of 1950, debated by Congress after the November elections during its „lame duck session" and approved by the President on January 3, 1951. With the worsening of the international situation and the growth of military needs, further installments seem unavoidable.

Since it appears from this sketch of legislative history that recent Federal tax policies were designed to serve a twofold purpose, the following inquiry may be divided into two distinct parts. Part I will concentrate on those measures that belong to the realm of war finance proper and Part II will deal with some characteristic attempts at organic tax reform.

PART I

War Finance

Not too much time and energy should be devoted to the controversy as to whether, on the agenda of war finance, the point of combatting inflation should have precedence over the point of raising revenue. As less academic problem is the question of how to select and coordinate measures that serve both ends. This problem, however, has been underrated. There are still many who believe, for instance, that progressive taxation — or, in popular language, the program of „soaking the rich" — is an efficient cure for the two ills, the scarcity of public funds and the inflationary gap.

In fact, only in rare cases, is progressive taxation such a panacea of war finance. Raising the tax rates on the higher income brackets may considerably add to the tax yield, but still fail to check inflation. Particularly, if a short war is expected, wealthy people may prefer to meet their increased tax liabilities by cutting their rate of saving rather than by lowering their standard of living. Apparently, an increase in corporate income taxes may better serve both purposes since the reduction of corporate profits will compel many firms to reduce their purchases of raw materials and the number of their workers. In a fully mobilized economy, however, such immediate anti-inflationary effect may soon evaporate since the Central Bank or some special governmental credit agency should be ready to grant or guarantee loans to those corporations that are supposed to contribute to the war effort but have less cash for selffinancing. Some corporations may meet their increased tax liabilities by adding less to reserves.

A more lasting anti-inflationary effect could develop if the reduction of profits leads to a cut in dividends and if most of the shareholders are in the lower and medium income brackets. If, however, the shareholders belong to the well-to-do groups their propensity to consume may be maintained at the former level for several years, perhaps until the advent of the first post-war depression.

A Conventional Approach

In spite of such warning signals, the Federal government had good reasons to subordinate, during the first phase of war finance, monetary and economic objectives to the provision of additional revenue.

War needs ought to be covered with a minimum of delay. Yet these needs were limited since the country did not embark at once on a program of full mobilization. As fitted the mass psychology of an election year, Congress was interested in securing new income in the mildest possible manner. It did not contemplate a startling new levy which could have aroused public opinion and prevented quick legislation. The President as well as Congress wanted to tackle the twofold problem of war finance by the most conventional means, namely by intensifying the progressivity of the Federal tax system.

In his letter of July 25, 1950 to Senator Walter F. George, President Truman estimated that the tax changes he suggested would yield approximately five billion. In its final form, the Revenue Act of 1950 was expected to increase revenues by 4 billion 600 million in a full year of operation at the income levels of the calendar year 1950. The bulk of this increase, 95 percent, originated from the upward revision of the rates of personal and corporate income taxes, the rest

mainly from the tightening of existing tax laws. For the current fiscal year ending June 30, 1951, the increase from the same changes was estimated at 2 billion, 200 million, but by an acceleration of the collection of the corporate income tax, to be discussed later, total collections were expected to reach three billion, one hundred million. (See Table 1).

TABLE 1 [2])

Summary of the estimated revenue effect [3]) of the Revenue Act of 1950

(Amounts in millions of dollars)

	Estimated increase or decrease (—) in revenue over present law	
	Full year effect	Fiscal year 1951
Increase corporation income tax rates	1,455.0	310.7
Remove tentative tax reductions under the individual income tax	2,932.5	1,725.0
Life insurance companies	63.1	68.6
Charitable and educational institutions and charitable estates and trusts [4])	75.0	—
Exemption for servicemen	— 5.0	— 4.0
Miscellaneous provisions	26.2	78.3
Excise taxes	53.8	29.9
Total	4,600.6	2,205.5
Acceleration of corporation income tax payments	—	855.7
Total	4,600.6	3,061.2

Revision of the Rates of the Individual Income Tax

As far as revenue raising was concerned, the upward revision of the rates of the individual income tax was the outstanding feature of the Act. It was made palatable to the voters by being presented as a return to a tax burden they had borne in previous years. The taxpayer was supposed to understand, that, in an emergency situation, some of the concessions made to him in post-war years had to be repealed. In technical language, the Act restored the „tentative levels".

[2]) Source: Treasury Department.

[3]) Estimates affecting income taxes are based on levels of income estimated for the calendar year 1950; excise, estate and gift tax estimates are based on levels of income estimated for the fiscal year 1951. Estimates provide for any interrelated effect of various proposals.

[4]) Does not represent, for the most part, an increase over present revenues. The estimate represents the long run revenue loss estimated to occur if provisions are not adopted.

of 1945 and removed the percentage reductions adopted in 1945 and 1948 from the individual income tax as for 1951 and later years.

Yet the sacrifice of the taxpayer was tempered. He could derive some comfort from the continuance of several important alleviations of the post-war tax burden: the income splitting provisions for the income of married couples, the personal exemptions of $ 600 per person and the $ 600 exemptions for the aged and blind persons.

In another respect, however, Congress finally agreed on a sensible compromise. It was evident that the military needs were too urgent to postpone action until the beginning of the calendar year 1951. Yet opposition would have been violent against the application of the higher rates retroactively to the total income of the calendar year 1950. Between Scylla and Charybdis, Congress conceded to the taxpayer the benefit from the greater part of the reductions adopted since 1945 for the calendar year 1950. The higher rates were applied only to one quarter of his 1950 income.

Reorganization of the Corporate Income Tax

The second step in increasing revenue was the increase in the tax burden of corporations. As under prior law, two kinds of the corporate income tax were imposed: a normal tax and a surtax. Yet the rate structure was considerably simplified. The normal tax rate applicable to the profit of all corporations was fixed as 25 %, the surtax rate applicable to profits in excess of $ 25,000 at 20 %. Corporations with income in excess of $ 25,000, therefore, should pay a combined rate of 45 %.

Still the changes in the corporate income tax would be incompletely appraised by describing them as an upward revision of rates. The Act eliminated also a progressive device which has been considered as a necessary tool to smooth out irregularities in the rate structure.

To bridge the gap between the lower rates applicable to corporate incomes under $ 25,000 and the general rate on corporations with incomes of $ 50,000 and more, the previous law had provided for higher rates on those corporate incomes which ranged between $ 25,000 and $ 50,000. This socalled notch-provision of 53 % was now abolished, thus reducing the burden on the medium-sized corporations.

This part of the reform should be spelled out somewhat more. It led to a strengthening of the competitive position of the medium-sized corporations. The Act increased the corporate income tax on large-sized corporations with incomes in excess of about $ 71,400 and on small-sized corporations with incomes of $ 31,250 or less. The increase on large-sized corporations was progressive with the size of income, reaching a maximum of 6.95 %; the increase on small-sized

corporations was regressive with the size of income, declining from 4 % to zero. Simultaneously, the Act reduced the corporate income tax on the medium-sized corporations with incomes between $ 31,250 and about $ 71,400, thus providing them with a tax advantage in comparison with the two other groups [5]).

Although, in its final result, the revision meant a substantial increase in Federal revenue, its anti-inflationary effect may prove negligible in a period of full industrial mobilization [6]).

The Mills Plan

There has been a marked discrepancy between the pay-as-you-go plan under which most individuals pay their income tax and the time period allowed to corporations for meeting their tax liabilities. Corporations have been permitted to pay one fourth of the income tax on the 15th day of the third month following the close of the taxable year, for instance March 15th, and the balance in three equal installments on the 15th day of third, sixth, and ninth months following the first installment, for instance on June 15, September 15 and December 15. If the calendar year is the tax period for the corporation as well as the individual, the 15th of March, on which the individual pays the balance of his personal income tax for the previous calendar year, is the date of the first tax installment to be paid by the corporation. As a maximum, therefore, the corporation may have had nine months more time for settling its tax liability.

Such differential treatment has some obvious disadvantages. It means a loss in interest to the Treasury. If corporations compete with single firms and partnerships in the same business field, it discriminates against the second group — an effect which is hardly consistent with the general policy of the Federal government to slow down the further growth of corporations. If, finally, the containment and curtailment of purchasing power is a paramount goal of war finance, all funds reserved for tax purposes should be transferred to the Treasury with the utmost speed.

Technical difficulties seemed too great to place corporations under the same pay-as-you-go plan that governs individuals and unincorporated business. Still the move towards synchronization of tax payments with corporate earnings is significant.

Under the new law, corporations will be required to step up their tax payments progressively over a five-year period. This is the essence of the plan sponsored by Representative Wilbur D. Mills of Arkansas

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[5]) 81st Congress, 2nd Session, Senate Report No. 2375, The Revenue Act of 1950. Report of the Committee on Finance to accompany H. R. 8920, pp. 13-15.

[6]) See my previous arguments on pp. 2-3.

and generally known as the Mills plan. In historical perspective the Mills plan be characterized as a younger brother of the Ruml plan. Under the new section 205, the installment option for corporations will be reduced finally to two payments of the tax, the first due on the 15th day of the third month, the second due on the sixth month following the close of the taxable year. Yet this goal will be reached only by gradual acceleration over a period of five years.

As an income-raising device, the significance of the Mills plan should not be overrated. Some misconception arose because of the announcement that the measure would bring an additional revenue of some five or six billion dollars [7]). This statement was all the more misleading since in the long run, at least, no additional income will be produced. The plan merely accelerates the collection in the near future. These gains are temporary; they will be ultimately offset by smaller corporation tax collections in the first six months of the Federal fiscal year. Without minimizing the timeliness of the measure and its consistency with most principles of tax distribution, it should be emphasized that the Mills plan bears the earmarks of a fiscal expedient (See Table 2). The accelerated payments begin with

TABLE 2 [8])

Accelerated Payments of Corporation Income Taxes

	Percent of payments due in			
	First quarter (percent)	Second quarter (percent)	Third quarter (percent)	Fourth quarter (percent)
First taxable year	30	30	20	20
Second taxable year	35	35	15	15
Third taxable year	40	40	10	10
Fourth taxable year	45	45	5	5
Fifth taxable year and subsequent years	50	50	0	0

taxable years ending on or after December 31, 1950. For the fiscal year 1951, the increase in collections is estimated at $ 856 million.

The Excess Profits Tax

The fact that Congress considered those measures as preliminary and as insufficient to cope with the forthcoming problems of war finance, could be gathered from its acceptance of a sort of mandate to provide with utmost speed for legislative preparation of another

[7]) 81st Congress, 2nd session, Revenue Revision of 1950. Hearings before the Committee of Ways and Means. House of Representatives, vol. I, p. 35.

[8]) Senate Report No. 2375, l.l. p. 18.

tax sacrifice. The last section, 701, of the Revenue Act of 1950 directed the Joint Committee on Internal Revenue Taxation to study the problems of excess profits taxation in the light of the national defense program in which the United States was then engaged and to report to the House Committee on Ways and Means and the Senate Committee on Finance as soon as possible. Furthermore, the section directed the House Committee on Ways and Means and the Senate Committee on Finance to report at an early date on a bill for raising an excess profits tax retroactive to October 1 or July 1, 1950.

In accordance with the mandate given to Congress before the November election, the second installment of war finance legislation was enacted after the short „lame duck session." It represented a compromise in a still higher degree than the first one. Since large groups at the end of the year opposed the reestablishment of an excess profits tax as heavy as that imposed in World War II and instead suggested either another increase in the corporate income tax or a general sales tax, Congress finally agreed upon a twofold measure: a modest excess profits tax combined with a second increase in the corporate income tax rates.

The economic and technical deficiencies of any excess profits tax are too well known to need here any further illustration. The fact that this awkward measure, as in the previous two World Wars, strongly appealed to the public is to be explained mainly from an emotional point of view. No doubt that the excess profits tax has an excellent name. How, in war time, could a patriotic public oppose a heavy tax on what is in „excess" — of course, under the assumption that the experts were prepared to determine objectively what this excess means?

As far as its general structure is concerned, the new excess profits tax is modeled after the World War II pattern. Being confined to corporations, it strengthens the relative competitive position of single firms and partnerships and may, as in the previous emergency, lead war contractors to carry on business in single firms and partnerships rather than in corporate form. Since the corporate income tax consists of two layers, a normal tax and a surtax, the excess profits tax could be described as a „sur-surtax" on corporations. It was imposed with the same retroactive force as the previous increased rates on corporate income, namely to July 1, 1950. Apparently, its limitation to corporate business was inspired more by practical considerations of tax administration than by general economic policies. It followed the experience of the two World Wars. Only in its first appearance during World War I, under the 1917 law, had the excess profits tax been applied for a short period to unincorporated business and also to personal earnings over six thousand dollars. Cumbersome problems

arising from this broad coverage were eliminated in the following year by restricting the levy to corporate business.

Traditionalism prevailed also in meeting another difficulty. how the tax base, called excess profit, should be defined. Since the procedure is too involved to be fully analyzed in a brief survey of tax policies, its description in general terms may be adequate.

The way to a determination of excess profit leads over a definition of normal profit. This can be achieved by two forms of computation: the average earning method and the invested capital method.

Under the first method normal profits are, in general, identified with the annual profits earned during a period of peace years termed as the „base period." Excess profits are determined by deducting a certain percentage of those average earnings from the net income of the corporation („excess profits credit"). Also the unused excess profits credits of other years can be deducted. Under the second method normal profits are identified with a reasonable rate of return. This percentage of capital interest is tax free and can be deducted from the net income of the corporation („invested capital credit"). It varies inversely with the size of the corporation measured in terms of invested capital. While for smaller corporations (with invested capital of not over $ 5,000,000) the credit is 12 % of the invested capital, it gradually declines until, for invested capital over $ 10,000,000 it reaches the level of 8 %. Yet the tax rate is considerably lower than in the two World Wars. It is the lesser of either 30 % of the „adjusted excess profits net income" or 62 % of the excess profits net income over the normal tax and surtax that would be imposed if the tax base applicable to the normal tax and surtax were the amount of the excess profits net income.

Simultaneously, the surtax which by the Revenue Act of 1950 was increased from 19 % to 20 % was further increased to 22 %, also retroactively to Juli 1, 1950 [9]).

Stop-Gap Character

As far as war taxation was concerned, neither the Revenue Act of 1950 nor the Excess Profits Tax Act displayed a high degree of originality. They were partial repeat performances of World War II taxation. Under certain conditions, of course, unoriginality has distinct advantages. Psychologically, it was wise to renew certain levels and forms of direct taxation still familiar to the public. Income taxes, personal as well as corporate, were nearly similar to those of the last war period. These changes, however, were provisional in

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[9]) See 81st Congress, 2nd session. H. R. 9827.

character. It was understood that if neither the Korean was should be terminated soon nor the international political tensions should be eased in the near future, the new tax rates as well as other provisions of the two Acts would have to be reconsidered after a short interval. Novel, however, was a negative feature of this legislation: the abstinence from embarking on a program of deficit financing. The needs of partial mobilization were to be met without resort to governmental borrowing. They were to be financed by maintaining a budgetary equilibrium in the orthodox sense or, in more popular language, on the „pay-as-you-go basis."

Yet such a broad generalization would fail to do full justice to the significance of the recent American tax legislation. The Revenue Act of 1950, at least, has particular merits in its attempt at closing various so-called loopholes, thus revising the intricate legal filigree of the Internal Revenue Code. In contradistinction to the temporary character of some previously discussed measures, these more technical innovations may be expected to stay with us for some time. The significance of some of them will be briefly described in the following sections.

PART II

Tax Reform
„Collapsible Corporations" and Stock Options

In the past, many attempts at tax avoidance have been invited by the coexistence of the low capital gains tax rate and the high income tax rate. While the Congress shied away from eliminating all of them, for instance such an objectionable case as the percentage depletion, it has blocked at least one significant avenue of escape, the establishment of „collapsible corporations". This device has been used especially by motion picture producers and in the building-construction trade (Section 117 (m) I.R.C.).

Suppose a film producer should establish a corporation. In this case, the income derived from the venture would be taxable twice; first at the previous corporate rate, as high as 38 %, and second at the individual income tax rate, which rises progressively to as high as 82 %. These liabilities could be considerably reduced by the establishment of a corporation that was to be liquidated upon the completion of the film but before the realization of any income from it. Under these circumstances, the income would be considered as capital gain and would be subject only to a 25 % tax. There could be also other beneficiaries of the „collapsible corporation", such as actors and writers who had acquired stock interests and were

taxed at the capital gains rate rather than at the full individual income tax rate [10]).

In the future, income of this sort will be taxed as ordinary income to the stockholder rather than as a long term capital gain.

In another area of corporate tax law the questionable policy of permitting the use of the capital gains rate will be continued. Corporations who wish to attract new management or to convert their officers into partners by granting them stock options can do so in the future even more effectively than in the past since the gains from those so-called „restricted stock options" will not be taxed as ordinary income at the time of their exercise. Instead the gain realized by the later sale of the stock will be taxed as long-term capital gain [11]). The wisdom of this concession is doubtful.

Exemption of Charitable and Educational Institutions

Admirers of the income tax like to emphasize that it has a universal coverage. Actually, the principle of universality has nowhere been applied without some modifications. Among the most controversial exemptions granted in the United States are those of educational, literary, religious and charitable institutions. From an overall view of government and finance, tax privileges of this kind seem reasonable because they enable such institutions to expand their services in the cultural interest of the community, especially if they perform functions which otherwise would have to be carried on and financed by the government. Yet any tax exemption raises ethical, economic, and fiscal issues. It interferes with equal tax distribution. Since the loss incurred by the Treasury must be made up by heavier contributions of the non-privileged groups, it may seem preferable to forego exemptions and support those groups that are in need by governmental subsidies. Granting of tax exemptions of this sort becomes still more objectionable if they encourage exempted institutions to engage in business and to compete with taxable firms already established in the field. Since such conditions represent a case of „unfair competion" [12]), every effort should be made to eliminate them.

Actually, the historical trend in the United States has moved into the opposite direction. The income of educational and eleemosynary institutions has grown considerably, thus increasing the relative fiscal loss of the Treasury. Tax privileges share the quality of other human

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[10]) Hearings, l.l. vol. I, p. 70.

[11]) New Sec. 130 A, I.R.C. Compare Senate Report No. 2375, l.l., pp. 59-60.

[12]) See statement by Senator Walter F. George of Georgia, Congressional Record, August 24, 1950, p. 13451.

vices in their tendency to proliferate. It could be stated more specifically that tax exemptions of the first order tend to generate tax exemptions of a second order. The variety of abuses is too great to be fully described in this survey. Some of them, however, are noted below.

Exemption of „feeder organizations"

A characteristic example is that of individuals and corporations that have been tax exempt, although their income was unrelated to the tax exempt purpose, on the ground that their earnings inured solely to the benefit of an exempt organization.

A much publicized case of such a „feeder organization" was a macaroni factory bought by New York University but operated by a separately organized corporation rather than by the University itself. Here was a case of a tax exempt firm competing with taxable firms in the same market. It was unfair competition, whether the factory was controlled or owned by the University or by a subsidiary of the University or an alumni corporation. If business conditions were the same for all firms, there was no possibility of continued competition of privately owned noodle works with educational institutions supplying the same market. As a member of the Ways and Means Committee, Representative John D. Dingell of Michigan caustically remarked:

> „eventually all the noodles produced in this country will be produced by corporations held or created by Universities, by educational institutions, and there will be no revenue to the federal Treasury from this industry" [13]).

Late in May 1950 the U.S. Tax Court ruled that the Mueller company could not claim tax-exempt status as a „corporation organized exclusively for educational purposes". The company was directed to pay an income tax deficiency of $ 136,438.62 for the period from August 28, 1947 to December 31, 1947 [14]).

Another example was that of the creator of a tax-exempt trust or foundation who was employed by the trust or foundation to direct it at a lavish salary, for instance a large wheat farmer who had sold his ranch to a charitable corporation and then continued to manage the ranch at a handsome salary [15]).

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[13]) Hearings, vol. I, p. 580.

[14]) The New York Times, June 14, 1950.

[15]) Revenue Act of 1950, September 1950 edition, New York, Prentice-Hall, p. 51.

The Leaseback Device

Public opinion during the past few years has been equally irritated by a device that is tantamount to a sale of its tax-exempt status by a privileged institution. This is the „leaseback device" successfully exploited by various universities and colleges. Perhaps the largest operation of this kind was the one in which Union College bought some $ 10,000,000 worth of Allied Stores real estate and then leased the property to Allied Stores. Union College obtained the funds for this operation by borrowing [16]).

For a similar purpose, the University of Pennsylvania bought the property of Lit Bros., one of the big department stores in Philadelphia, with borrowed funds. This property was appraised at $ 4,000,000.

The lease back device as used in those transactions proved attractive to the two parties concerned. This may be gathered from an analysis made at the hearings before the Committee on Ways and Means:

The corporate seller of the property, say of the department store, gains because its capital funds are increased and because the University is in a position to pay a higher price for the property than it is worth, for instance $ 4,000,000 instead of $ 3,000,000. The University can afford this sacrifice because the rental to be paid by the lessee will be increased in a similar proposition and because the University is tax exempt and thus does not pay a higher tax on this account. Yet the department store can afford the higher rental since this amount, deductible as a business operation cost, reduces its profit and also its income tax liability [17]).

Taxability of Unrelated Income

The makers of the new law has courageously moved into this contested area in order to prevent the most obvious abuses. The Act provides that individuals and corporations will be subject to the income tax with regard to any income derived from the operation of a business enterprise which is „unrelated" to the purpose for which the organization received an exemption. This change will affect for instance, schools and colleges, labor unions, business and trade associations, charitable organizations, and religious organizations, but not churches. Unfortunately, the concept of „unrelated trade or business" cannot not fail to create new headaches. This is already indicated by the restrictive definition in sec. 422(b) of the Act, namely, as any trade or business the conduct of which is not „substan-

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[16]) Hearings l.l., Vol. I, p. 574.

[17]) See Hearings, l.l., Vol. I., p. 577 (Representative Noah M. Mason of Illinois).

tially related" to the function which constitutes the basis for the exemption. Nor did Congress undertake to outlaw the lease back device. Its use is prevented only in those cases in which the purchase is financed by borrowed funds and the lease extends over more than five years. Also, these qualifications may create new problems for the tax lawyers. Will a College, for instance, be able to buy a tract of land and build houses on it if it uses for the purpose only its own funds? [18]). Apparently the closing of loopholes in this area needs to be continued. Many of the organizations now exempt under section 101 will not be affected by the new provisions [19]).

The Problem of Unreported Income from Stock Dividends

The fact that the recent loophole-closing program embarked upon by Congress has its own „loopholes" may be finally illustrated by the neglect of a widespread form of tax evasion. Stockholders fail to report, in their income tax returns, the full amount of dividends received. If this unreported income should amount to one billion dollars per year, the Federal Government would lose, as estimated for the House bill, 190 million dollars annually on this account [20]), not taking into consideration the inestimable damage to public morale caused by so flagrant a violation of the tax law.

It may seem surprising that, in the past, the government has not taken action to check this abuse, by relying for instance on a method applied long since by other countries: the stoppage at the source. This would have been a counterpart to the withholding tax as used in the United States to curtail tax evasion by wage earners. The inconsistency needs some explanation. As Senator Humphrey of Minnesota put it: „For several years now wage earners have had income tax withheld before they receive their pay. Why should we continue to tolerate tax evasion by coupon clippers? [21]).

It would have been fruitful to survey the experience of several foreign countries, particularly the way in which Great Britain, the originator of the withholding device in 1803, has tackled the problem. A comparison would have been helpful although, in general, the British have carefully avoided any double taxation of income resulting from a corporation income tax that is independent of the general income tax. When, in 1924, after only four years of operation, the „Corporation Profits Tax" was discontinued, even the socialist

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[18]) See Hearings, l.l., vol. I, p. 578.

[19]) See their list in Revenue Act of 1950, September 1950 edition, New York, Prentice-Hall, p. 54.

[20]) See the Congressional Record, Senate, August 29, 1950, p. 13590.

[21]) Ibidem.

Chancellor of the Exchequer Philip Snowden defended this action. He characterized the Corporation Profits Tax as „a parvenue in the tax system" which was „unloved by its parents, reviled by its subsequent guardians and condemned by every party" [22]). The almost general condemnation of an independent corporate income tax has not meant, of course, that corporations were tax exempt. Although they have been free from the surtax, they pay the regular income tax in the framework of Schedule D, yet they have been entitled to recoup it by deducting an equivalent amount from the dividends distributed to their shareholders. The shareholders, in their turn, get full credit for those taxes withheld. They may even claim repayments if, by taking account of exemption and other personal allowances and adjustments, those withholdings exceeded their tax liability. Such claims for repayment are to be addressed either to the „Inspector" or to the „Special Commissioners" [23]).

Although the different pattern of the American tax system prevents an imitation of the British example, the Federal government could have adopted a similar procedure, for instance by requiring the corporations to withhold a tax of 10 % on all dividends paid to their stockholders as provided in the House bill (Section 601). Yet the Finance Committee of the Senate opposed this change for the reason that it would saddle the corporations with substantial expenses and that overpayments could be foresseen. Certainly, the corporations would have been unable to inquire into the income status of all their stockholders. They would have collected a tax from the tax exempt organizations as well as from those individuals who have no tax liability because their income falls short of exemptions and deductions. Apparently these arguments impressed the legislators so deeply that the House provision was eliminated in Conference.

Sometime, however, this decision may be reconsidered. Any extension of the withholding device to dividends would, of course, add to the load and the costs of tax administration, especially if it is customary to pay dividends several times per year. An impatient writer in the *Boston Herald* described the situation of a stockholder who had 73 shares of Potomac Electric Power which paid a dividend of 22½ cents every 3 months, and who therefore received a quarterly dividend of $ 16.42, from which a tax of $ 1.64 would be withheld. When, after the extension of the withholding device, this taxpayer made his income tax return he would have multiplied the net amount of $ 14.78 by ten-ninths in order to report his full income

[22]) Mallet, Sir Bernard and C. Oswald George, British Budgets, Third Series, 1921-22 to 1932-33, London 1933, p. 106.

[23]) Compare Fritz Neumark, Theorie and Praxis der modernen Einkommensbesteuerung, Bern, 1947, pp. 193, 199.

of $ 16.42 and then taken a credit on the return for $ 1.64 paid for him by the corporation. If, instead, the taxpayer had had fifty different stocks paying quarterly dividends these computations would have required considerable work [24]). There can be no doubt that the amount of time and energy spent for those computations should be regarded as indirect costs of tax administration although they would be met by the taxpayer and the corporation rather than by the Federal government. They would be reduced, however, if dividend payments were made only once a year. In this case, the expenses to be met by the withholding agent would compare favorably with those arising from the withholding on wages, made fifty two times a year.

Also other parts of the procedure could be simplified. Instead of requiring corporations to supply a receipt of tax deduction with each dividend paid, these receipts could cover a whole year. Taxpayers could merely itemize them in filing their returns, and corporations could turn over itemized lists to the Treasury [25]).

Instead of taking such action, the Senate Finance Committee indicated that the amount of unreported dividends could be reduced in a less drastic way. Though, up to the present, corporations have been required to report to the Bureau of Internal Revenue only those dividends paid to each stockholder in excess of $ 100 a year, the Commissioner should require corporations to report the payment of dividents in any amount to all stockholders. This information could then be used to check the individual income tax returns if the stockholder were required to itemize his dividends in his personal income tax return [26]). In fact, such an itemization of all dividends was required in the 1950 tax returns to be filed in March, 1951.

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[24]) See Congressional Record, May 23, 1950 (Extension of Remarks of Hon. Thomas J. Lane).

[25]) Compare the plan approved by the Ways and Means Committee on May 31, 1950, New York Times, June 1, 1950.

[26]) Senate Report No. 2375, l.l., p. 52.

LE FINANCEMENT DE LA GUERRE ET LA REFORME DE L'IMPOSITION AUX ETATS-UNIS

RÉSUMÉ

L'invasion de la Corée marque le commencement d'une phase nouvelle de l'histoire des finances publiques américaines. Après cinq années de paix, les Etats-Unis sont revenus à une politique de finances de guerre. Le fardeau des impôts sur le revenu des personnes physiques et celui des personnes morales a été augmenté considérablement et un impôt sur les bénéfices excédentaires a été établi.

Bien que, dans une certaine mesure, la politique nouvelle soit calquée sur celle de la seconde guerre mondiale, elle en diffère sur des points importants. Au lieu de tenter une autre expérience de „deficit financing", le Gouvernement fédéral a préféré suivre aussi longtemps que possible la voie difficile, c'est-à-dire adopter la méthode de „pay as we go".

Afin de rendre les sacrifices plus acceptables à la population, ils ont été imposés par étapes. Alors que les deux impôts ont déjà pris forme de loi, des mesures supplémentaires sont en préparation. On s'attend à ce que le Congrès s'en occupe cette année.

Les nouvelles lois auront des effets plus durables que ceux découlant en général d'une législation de guerre, en raison de leur juxtaposition à une réforme d'éléments importants de l'impôt sur le revenu fédéral. Une politique énergique de lutte contre la fraude fiscale a permis d'éliminer certaines possibilités de fraudes communément utilisées. Malheureusement, ce programme offre à son tour, de son côté, de nouvelles possibilités de fraudes. Bien que des progrès encourageants aient été faits vers un nivellement du fardeau de l'impôt, des changements de nature plus substantielle dans la législation et l'administration fiscales sont encore nécessaires.

DAS KAPITALBUDGET UND SEINE DARSTELLUNG

Von Dr h.c. Kurt Heinig, Stockholm

„L'utopie d'aujourd'hui est souvent la réforme de demain".
J. B. Raynaud in: *La Revue du Trésor,* Paris, Nov. 1950.

Das Budgetrecht und die daraus erwachsende Darstellung des Budgets (Budgetvoranschlag; Budgetgesetz; Budgetrechnung) werden gern als „konservative Materie" bezeichnet. Die Tatsachen beweisen das nicht, denn kaum auf einem anderen Gebiet des Staatsrechtes und der Staatsverwaltung sind Wechsel und Neuformungen so wirksam als beim Budgetwesen. Es ist aber zwischen dem Inhalt des Budgets und seiner Darstellung zu unterscheiden. Das Budget ist das „Hauptbuch des Staates", es wird alljährlich neu aufgestellt und eröffnet resp. abgeschlossen. So bedarf es keiner besonderen Erklärung dafür, warum sich in den budgetären Ausgaben und Einnahmen die Konjunkturen und der wirtschaftliche Trend, Frieden und Krieg, innerstaatliche Umbildungen, Umwälzungen und Umstürze widerspiegeln. Es ist auch theoretisch undenkbar, dass sich das Staatsleben im Staatsbudget nicht wiederfindet. Aber die Blätter jenes „Hauptbuches" sind nicht Momentaufnahmen eines Tonfilmes, der, mit den Gesprächen der handelnden Personen synchronisiert, auf der Leinwand abrollt. Zwischen den stummen Ziffern der staatlichen Ausgaben und Einnahmen und dem Staatsbürger steht kein elektromagnetisches und optisches System, es ist der menschliche Wille, der Zahlen „zum reden" bringt und materielle Fakten mehr oder weniger klar sichtbar werden lässt — oder verschleiert.

Die „Tiefenschärfe" des Budgets ist also durch das irrationale Medium des Willens und Könnens bestimmt. Es sind Motive und keine fotografischen Linsen, die Budgetdurchsichtigkeit ergeben. Die Motive sind von verschiedener Art. Die mit der „konservativen Materie" verbundenen bestimmen sich z.B. daraus, dass „man" in

der gewohnten, traditionellen Darstellungsform beharren möchte, oder dass die Schwierigkeiten überschätzt werden, eine neue und bessere Darstellungsform zu finden, und last but not least, ist mitunter auch beabsichtigt, die Budgetklarheit zu vermeiden. „Man" meint, dass sich „leichter" regieren lasse, solange der Untertan keine allzu deutliche Einsicht in das Hauptbuch der Regierungsmacht gewinne. Das war die Auffassung absolutistischer Zeiten und ist das Budgetdarstellungsprinzip der modernen Diktatur.

An kaum einem anderen Beispiel lässt sich dieses komplexe Problem klarer Budgetdarstellung besser illustrieren als an der Kapitalseite des Budgets. Damit ist hier die budgetäre Darstellung des Staatsvermögens und der Kapitalfunktionen des Staates gemeint, in allen seinen Substanzen und ihren Formen, vom Inventar des Staatsbesitzes bis zu den gemischt-wirtschaftlichen Unternehmen (mixed-ownership corporations; sociétés d'économie mixte) von Fonds und Institutionen ziviler und militärischer Vorratshaltung (Rohstoffe; Fabrikate; Nahrungsmittel) bis zu den Apparaten für kurz- und mittelfristige Kreditschöpfung, zu den Reserve-, Ausgleichs-, Währungsmanipulations- und sonstigen Fonds, zu Garantien und Bürgschaften usw., und bis in das „Vorfeld" des Budgets (parastatale Institutionen: Sozial-, Militär-, Stände-, Kultus- und Parteifisci).

Hier soll unter technischen Gesichtspunkten, d.h. bei Ausschaltung resp. Nichtbeachtung der oben genannten drei und anderer Willensmotive, die gegen Budgetklarheit wirken, kurz zusammengefasst werden, was im neunzehnten Jahrhundert und seitdem, bis zur Gegenwart, geplant und getan wurde, um die Kapitalseite des Budgets darzustellen.

1. *Die Tendenzen des neunzehnten Jahrhunderts und vor den beiden Weltkriegen*

A - *Der historische Hintergrund*

In vereinfachter Form skizziert, sind es zwei Darstellungsprobleme der Kapitalseite des Budgets, die das neunzehnte Jahrhundert beherrschen. Das eine ist von historisch-kameralistischer Natur. Hier geht es um die Frage des einheitlichen oder des zweigeteilten Budgets, wobei die Kapitalwirtschaft in das Budget eingegliedert ist, aber selbständig dargestellt wird, zumeist auch, zum mindesten theoretisch, mit eigenem Gleichgewicht. Es ist also die Frage, ob die „ordentlichen" und die „ausserordentlichen" Ausgaben und Einnahmen nach bestimmten Kriterien auseinander zu halten und getrennt darzustellen sind. Dabei ist zu beachten, dass jene Trennung eine Unterscheidung auch in der Hinsicht meint, dass den „ordentlichen" Ausgaben zureichende „ordentliche" Einnahmen der laufenden

Staatsverwaltung also die laufenden Steuern usw. gegenübergestellt werden, und den „ausserordentlichen" Ausgaben (Kapitalausgaben) entsprechende Einnahmen (Anleihen usw.). Das andere Problem erwuchs aus dem geläufig werdenden „kaufmänischen Denken". Es hatte zuerst scheinbar nur buchhalterische Perspektiven. Man meinte, dass wirtschaftende Staatsunternehmen in kameralistischer Form, Buchhaltung und Budgetierung, nicht zureichend klar dargestellt werden könnten. Das erzeugte bald hinsichtlich der budgetären Einheit weitgehende Folgen. Man kam zur Ausgliederung der Betriebe, Fonds usw. aus dem Budget.

In der Retrospektive gesehen zeigt sich, dass in der ständischen Zeit die „ordentlichen" Ausgaben und Einnahmen die eigene („private") Angelegenheit der Staatsmacht (des Königs, Fürsten usw.) waren. Nur neue Forderungen berührten als „ausserordentlich" die Stände und verlangten deren Bewilligung. Aber „ausserordentlich" waren in diesem Sinn auch Steuerforderungen. Sie traten oft als kapitalwirtschaftliche Elemente auf. Kreditmässige Antizipationen zukünftiger Einnahmen verknüpften sich mit der Erschliessung neuer Steuerquellen. Eskomptierung von steuerlichen und anderen „ausserordentlichen" resp. neuen Einnahmen durch Kapitalisierung, durch Verpachtung und Verpfändung, waren so ein Teil der finanziellen Kapital- und Vermögenswirtschaft des Gemeinwesens. Es ist mitunter noch heute schwierig, zwischen Verwaltungs- (Steuer-) und Kapitalwirtschaft des ständischen und des abolutistischen Staates zu trennen. Dazu kam, dass im neunzehnten Jahrhundert jene ständische Zeit nicht allzuweit zurück lag, in manchen Staaten war sie in den klassengeschichteten Parlamenten sogar noch am Leben. Die Finanzwissenschaft war noch weitgehend mit Vorstellungen und Begriffen jener vergangenen Zeit verwachsen.

Der Staat hat immer zugleich verwaltet und gewirtschaftet, wenn auch die „Privatsphäre" der Machtinhaber sich mitunter so weit ausdehnte, dass das öffentliche Gemeinwesen als nur von einigen Schreibern verwaltet erschien. Vorrats- und Betriebswirtschaft, ebenso Vermögenswirtschaft, sind integrierende Teile der Staatsökonomie. Sie sind nicht erst durch die „liberale Zerreissung" der Staatsmacht (also durch Gewaltenteilung) und durch das seit Adolf Wagner viel zitierte „Gesetz des steigenden Staatsbedarfs" entstanden. Ohne Vorratsbildung und Schatzkiste resp. Schatzamt (Treasury), resp. Kapitalkredite, also Schuldenwirtschaft, waren Landesverteidigung und Krieg nicht denkbar. Weder eine grosse Kaiserwahl — wie die Karls v., 1519 — noch die ständigen Kriege des 16., 17. und 18. Jahrhunderts waren ohne vorhergehende finanzielle Planung und ohne laufende Finanztransaktionen denkbar. Die Kapitalsphäre des öffentlichen Gemeinwesens verdeckte und erstickte immer wieder

die „ordentliche" Verwaltung und deren Ausgaben und Einnahmen.

Dazu kommt, dass das öffentliche Gemeinwesen durch die Jahrtausende in weitem Umfang gemischtwirtschaftlich basiert gewesen ist. In seinen Zentralrechnungen, mögen sie fürstlich, ständisch oder städtisch gewesen sein, mögen sie von Königen und Kaisern oder Päpsten und Bischöfen und im Stadtstaaten oder Städten geführt worden sein, laufen Geld- und Naturalwirtschaft nebeneinander und fliessen rechnerisch zusammen. Mit der Vorratswirtschaft waren Kapitaltransaktionen ebenso zwingend verknüpft wie Kreditoperationen, natürlich auch Vermögensbildung. Der Staat resp. die Staatsmacht war aber auch Grundbesitzer und Regalieninhaber, der Verkauf der Beamtenstellen und Pründen war eine kapitalisierte Einnahmequelle.

Es waren also nicht neue Fakten, die im neunzehnten Jahrhundert auftraten, wenn auch deren Proportionen und Arten sich ständig veränderten, sondern deren budgetäre Darstellung in einem zusammenfassenden und öffentlichen „Hauptbuch" wurde ein Problem. Die zusammenschmelzenden Zentralrechnungen des Staates, der Fonds, des öffentlichen Besitzes und der Schulden (zuerst Fürsten-, dann Stände- und Parlamentsschuld, zuletzt einfach Staatsschuld) zum jährlichen Budget sind eine Errungenschaft, und das sei hier hervorgehoben, auch eine zivile Grosstat des neunzehnten Jahrhunderts. Erst mit klarer Gewaltenteilung und mit der sich ausbildende Legislative, mit den zusammengefassten Staatsausgaben und -Einnahmen in dem jährlich zu bewilligenden und abzurechnenden Budget wurden die Darstellungsprobleme aktuell und suchten Lösungen [1]).

B - *Die praktische Aufgabe*

Die politische Zusammenschmelzung aller staatlichen Ausgaben und Einnahmen führte nicht überall zur vollständigen und einheitlichen, auch nicht zur gleicherweise klaren Darstellung der budgetären Kapitalseite. Vereinfacht gesehen ist hier eine „französisch-kontinentale" und eine „englisch-amerikanische" Methode wirksam geworden, wobei zu beachten ist, dass im besonderen in Frankreich verschiedentlich gewechselt wurde, während die „englisch-amerikanische" Praxis ein Jahrhundert lang und bis in die Gegenwart hinein konstant blieb.

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[1]) Hinsichtlich der Ausgliederung aus dem Budget, also der Beibehaltung resp. Ausbildung eines „Vorfeldes", sind weniger Methodenunterschiede, abgesehen von technischen Darstellungsvarianten (oder Verschleierungsprinzipien), als mehr mengen- und tempomässig unterschiedliche Nationalpraktiken wirksam geworden. Darüber wird weiter unten noch näher zu sprechen sein.

Die kontinentaleuropäische Methode, die in der französischen Praxis ihr Experimentierfeld und in der deutschen ihre schematischste Ausbildung und Versteinerung fand, wurde ursprünglich von dem oben geschilderten kameralistischen und ständischen Traditionalismus historizistisch beherrscht. Diese Wirkungen verschwinden zeitweise, im besonderen in Frankreich dadurch, dass die „ordentlichen" Staatseinnahmen alle Ausgaben decken, auch die Kapitalausgaben. Kannte man keine Defizite, tauchte zumeist die Frage nicht auf, ob die Ausgaben in „ordentliche" und „ausserordentliche" aufzuspalten seien.

Im übrigen gab es im neunzehnten Jahrhundert immer wieder Streit darüber, ob, und wenn ja, zu welchen Zwecken ein Staat überhaupt leihen dürfe. Zeitweise wirkte die Meinung sich aus: „Wer seine Schulden bezahlt, verbessert seine Güter", und noch weitergehend, Schuldenmachen wurde als unmoralisch aufgefasst. Die Maxime der Bankiers, überhaupt des Geldkapitales lautete dagegen: Steuern töten, Schulden beleben". So meinte der französische Bankier Ouvrard, der Kriegslieferant und Finanzier des Konvents, Napoleons I. und der Restauration. Die einen sahen weiter im „ausserordentlichen" Budget, das sie mit Defizit und Borgen gleichsetzten, die Pathologie der Staatsfinanzen, denn ein gesundes Budget bedürfe eben nicht solcher unsolider Mittel. Die anderen zogen die Bewilligung von Anleihen, „zur Deckung des Defizits" und um „ein natürliches Bedürfnis nach Staatsrententitel zu befriedigen", neuen oder erhöhten Steuern vor.

Wurden die Staatsausgaben und -einnahmen in „ordentliche" und „ausserordentliche" aufgespalten, so waren damit aber noch nicht die Darstellungsprobleme gelöst. Es blieb die Grundfrage offen, oder sie stellte sich immer wieder, was eigentlich das eine und das andere sei. Ging man bei dem Feststellungsverfahren von den Extremen aus, war die Antwort und damit der Platz für die Verbuchung im Budget leicht zu finden: Laufende Staatsverwaltungskosten sind durch die „ordentlichen" Staatseinnahmen (Steuern usw.) zu decken, dagegen z.B. Eisenbahnbauten, soweit sie überhaupt staatlich zu unternehmen seien, sind durch Kapitalaufnahme, also Anleihen mit fester Verzinsung und Amortisationsplan zu decken. Die Streitfragen kamen erst dann, wenn es sich um Fälle handelte, die sowohl zu den „ordentlichen" wie zu den „ausserordentlichen" Ausgaben gerechnet werden konnten, oder wenn das Defizit so gross wurde, ob nun „ordentlich" oder „ausserordentlich" entstanden, dass das Budgetgleichgewicht, also der Ausgleich durch Steuern, allein nicht erreicht werden konnte oder sollte. Dazu kamen dann die politischen Erwägungen, über die hier nicht zu sprechen ist.

Theoretisch sind während des neunzehnten Jahrhunderts zumeist

Standpunkte vertreten worden, die als gemeinsamen Nenner die Auffassung hatten, dass jede Kapitalfunktion des Staates „ausserordentlich" sei. So lehrte es die Finanzwissenschaft an den Universitäten. In der Praxis waren alle uneinig. Je näher terminologisch bestimmt werden sollte, um zo komplizierter wurde die Formel. So kam es zu der Umschreibung (sie ist nur eine von vielen), dass eine ausserordentliche Ausgabe durch Unvorhersehbarkeit, Produktivität, Rentabilität, wirtschaftliche Zurechenbarkeit des Aufwandnutzens an die Gegenwart resp. Zukunft bestimmt werde. Sind Rüstungsausgaben das eine oder das andere? Was ist der Schuldendienst? Wo gehören diese beiden grössten Budgetposten hin? Gehören sie in das „ordentliche" oder in das „ausserordentliche" Budget? Offenbar kann das so aufgefasst werden wie es die jeweilige Situation ermöglicht oder verlangt.

Frankreich hat auch auf dem Gebiet der budgetären Zweiteilung „Gut" und „Böse" ausgeprobt. Bis zur Restauration zerfällt das Budget ständig erneut in „ordentliche" und „auserordentliche" Ausgaben und Einnahmen, wobei diese durchaus nicht immer durch Anleihen gedeckt werden, womit auch keine Aktivseite eines Kapitalbudgets entsteht. Die Restauration schafft zuerst das „ausserordentliche" Budget ab. Bereits 1827 erscheinen wieder „Ressources extraordinaires", aber bis 1848 werden sie noch nicht wieder zu einem „ausserordentlichen" Budget. Die Julimonarchie und das zweite Kaiserreich haben wieder „ausserordentliche" Budgets; 1855 betragen die sogenannten ordentlichen Einnahmen 1.5 Milliarden frs, die ausserordentlichen 1.3 Milliarden. Frankreich deckt die Kosten des Krimkrieges nur zu 6 % aus erhöhter Besteuerung, das übrige aus Anleihen, England dagegen zu 43 % aus Steuern. Dabei waren beide ökonomisch in verwandter Lage, aber Napoleon durfte nicht mit zu viel Steuererhöhungen arbeiten. Gladstone konnte sich das mit seiner mächtigen Partei leisten. In dem einen Lande wollte das Finanzkapital und die Bourgeoisie einen beachtlichen Anleihemarkt, im anderen benötigten sie ihn nicht, und die erhöhten indirekten Steuern belasteten sie kaum. So hatte das eine Land ein grosses „ausserordentliches" Budget, das andere kannte es überhaupt nicht, es lebte mit einem einheitlichen kameralistischen Budget.

Die Assemblée Nationale von 1871 schaffte das ausserordentliche Budget ab, musste das Prinzip aber gelegentlich durchbrechen, und ab 1879 kam man wieder zu einem alljährlichen ausserordentlichen Budget. Es galt den sogenannten „Travaux extraordinaires". Dann kommt eine Zeit der Eingliederungspolitik (Politique des Incorparations); bis 1913 kennt die Republik kein ausserordentliches Budget. Man unterscheidet zwar zwischen „ordentlichen" und „ausserordentlichen" Ausgaben, aber man deckte durch die allgemeinen

Einnahmen, also durch Steuern. Das erklärt sich sehr einfach: Von 1891 bis 1913 sind jährliche Budgetrechnungsüberschüsse nicht selten, und gelegentliche Defizite sind minimal.

Das Deutsche Kaiserreich (1871—1918) hat seine Budgets zusammengefasst dargestellt, aber seit 1889 in „ordentliche" und „ausserordentliche" Ausgaben getrennt, was aber kein klares Kapitalbudget bedeutete, denn es kam zu den üblichen opportunistischen Konzessionen. Sogar rückständige Zuschussleistungen der Länder an das Reich (Matrikularbeiträge) aber auch erhöhte Beamtenbesoldungen und andere Defizitreste wurden durch Anleihen gedeckt (so 1909). Von einer klar dargestellten Budgetteilung konnte also trotz jener budgetären Aufspaltung nicht gesprochen werden.

Die Amerikaner kannten im neunzehnten Jahrhundert die europäischen Budgetprobleme überhaupt nicht praktisch, man kam gelegentlich sogar zur Rückzahlung der gesamten Bundesschuld.

Belgien hatte bis 1883 neben dem jährlichen Budget ausserordentliche Sonderkredite mit unbegrenzter Dauer. Durch eine Budgetreform wurden die „ausserordentlichen" Ausgaben und -einnahmen in einem Sonderbudget zusammengefasst. Nach der klassischen Budgettheorie sollten nunmehr Defizite dieses ausserordentlichen Budgets aus den Ueberschüssen des ordentlichen Budgets, also durch neue Steuern gedeckt werden. In der Regel blieb es bei Anleihen.

England hat im neunzehnten Jahrhundert die Frage des zweigeteilten Budgets ebensowenig praktiziert wie die Vereinigten Staaten. Es kannte aber auch keine Darstellung des Kapital- resp. Vermögensbesitzes, das einzige was sichtbar wurde war dessen Passivseite, also der Umfang der Schulden. Hier haben im besonderen England, aber auch andere Staaten, wie z.B. die Vereinigten Staaten, schon früh auf pünktliche, häufige und klare Darstellung grossen Wert gelegt. Das gilt nicht nur für die langfristigen Kredite, also die Anleihen, sondern auch für die mittel- und kurzfristige Kreditaufnahme.

Internationale Vergleichbarkeit „ordentlicher" und „ausserordentlicher" Budgets war angesichts der erwähnten unterschiedlichen Auffassungen und Methoden kaum möglich. Soweit sie versucht werden, bleiben sie an der Oberfläche oder versinken in erläuternden Fussnoten. Nach Zwecken gegliedert wird es immer „ordentliche" und „ausserordentliche" Ausgaben geben und ebenso ist es mit den Einnahmen. Die Darstellungsfrage zu lösen schien aber auf den gewohnten Wegen nicht möglich.

Das andere Darstellungsproblem erwuchs, wie schon erwänt, aus privatwirtschaftlichem Denken. Es hatte zuerst nur buchhaltungs-

technische Perspektiven, dann aber bald hinsichtlich der budgetären Einheit weitgehende Folgen. Hier ging es nicht mehr um die Zweiteilung des Budgets, sondern um die Ausgliederung seiner betriebswirtschaftlichen und verwandter Elemente. Mit den wachsenden öffentlichen Aufgaben, die nicht nur administrativ waren, sondern sich auf wirtschaftende Funktionen ausdehnten, erschien es notwendig, das Staatsbudget von diesen „Fremdelementen zu befreien", so lautet zum mindesten die übliche Erklärung; man sagte auch, das Budget müsse entlastet werden. Das heist, die wirtschaftlichen Aufgaben wurden besonderen Organen übertragen, die privatwirtschaftliche Gesellschaftsform annahmen, nicht mehr kameralistisch sondern kaufmännisch buchführten und bilanzierten und auch sonst ein sogenanntes Eigenleben begannen. Sie bildeten sich zu selbständigen Institutionen aus, die in das „Vorfeld" des Budgets übergingen resp. ein solches bildeten. In manchen Staaten ist das vollständige Budget im neunzehnten Jahrhundert nie erreicht worden, auch heute noch findet man sogar in Grosstaaten immer wieder einmal alte Institutionen, die ausserhalb des Budgets leben; es entstehen auch neue Institutionen ausserhalb des Budgets.

Die wirtschaftende Tätigkeit des Staates, nicht immer in privatwirtschaftlicher Gesellschaftsform zusammengefasst, sondern auch in anderen Betriebsformen, baute sich ausserhalb des Budgets an, mitunter nur noch durch die Nabelschnur der Nettobudgettierung mit dem eigentlichen Staatsbudget verbunden. Das ist so zu verstehen, dass nur die Nettoüberschüsse jener wirtschaftenden Institutionen und die etwa notwendig werdenden Zuschüsse des Staates im Budget dargestellt werden. Praktisch wurden so erhebliche Teile des Staatsvermögens betriebwirtschaftlicher Natur, aber auch Kapitalfonds usw. dem Budget entzogen. Die Ausgaben und Einnahmen des Staates, im besonderen deren Kapitalseite darzustellen, wurde damit nicht einfacher.

Die beiden Darstellungsprobleme, die eigentlich in der einen Frage zusammenschmelzen, wie am besten das Kapitalbudget resp. der wirtschaftende und betriebswirtschaftliche Staat darzustellen sei, haben in den einzelnen Staaten im neunzehnten Jahrhundert in vielerlei Lösungen und deren Varianten ihre Antwort gefunden. Klarheit war nicht erreichbar, zumeist weil eines der oben erwähnten drei Motive wirksam wurde.

Eine bedeutende Ausnahme zeigte um 1886 Italien, das Geburtsland der „doppelten" Buchführung. Hier wurde die Budget-Logismographie ausgebildet, ideologisch eine kaufmännische Betriebsrechnung und Vermögensrechnung (Besitz und Schulden) mit einer Bilanz, die das Staatsvermögen den Staatsschulden gegenüberstellte und ein staatliches Nettovermögen sichtbar machte. Damals erregte

diese neue Darstellung des Budgets im allgemeinen und des Kapitalbudgets im besonderen internationale Aufmerksamkeit. Englische, französische und andere Studienkommissionen hoher Beamter besuchten Rom und erstatteten zuhaus Bericht (Es sind noch heute interessante Drucksachen). Die Logismographie schreckte nicht vor ihren eigenen Konsequenzen zurück. Sie inventarisierte den Staatsbesitz, nicht nur die Eisenbahnen, sondern auch die Kavalleriepferde, sie unterschied zwischen Umbuchungen und realen Ausgaben und Einnahmen, sie hatte Abschreibungskonten — das war zureichend fremdartig und erschreckend, um die Studiekommissionen mit der „Erkenntnis" abreisen zu lassen, dass es „zuhaus am besten sei". Sicherlich hatte die italienische Logismographie auch das Ziel, durch Ausweis eines Nettostaatsvermögens den internationalen Geld- und Kapitalmarkt davon zu überzeugen, dass es nicht bedenklich sei, dem jungen italienischen Königtum erhebliche Anleihen abzunehmen. Aber es war wirklich eine neue Budgetgestaltung.

Inzwischen hatte die kameralistische Budgetdarstellung ihre eigene Entwicklung erlebt. Man war dazu übergegangen, in sie kapitalwirtschaftliche Elemente einzubauen, wobei auch Systeme „doppelter Buchführung" benutzt wurden. Hinsichtlich des staatlichen Vermögensbesitzes versuchte man sich mit sogenannten Inventaren, die den Staatsbesitz aufzählten. Das alte Problem der Bewertung trat dabei ständig erneut in den Vordergrund. Man ging aber nicht so weit, dass etwa das „Inventar" den Staatsschulden gegenübergestellt wurde. Auch die spätere Uebernahme der logismographischen Darstellungsmethoden durch skandinavische Staaten führte nicht bis zu jenen propagandistischen „Vermögensbilanzen". Das schwedische Kapitalbudget ist die Gegenüberstellung der Einnahmen und Ausgaben der Unternehmungs- und Fondswirtschaft. Die staatliche Vermögenspassiva wird nur insoweit gelegentlich dargestellt, als die kapitalwirtschaftlichen Einnahmen mit dem Staatsschuldendienst zahlenmässig verglichen werden. Aber hiermit greifen wir schon der modernen Einwicklung voraus [2]).

Zusammengefasst kommt man für das neunzehnte Jahrhundert vielleicht zu folgender Synopsis der Darstellungsmethoden des Kapitalbudgets:

Zweiteilung des Budgets:

A. „Ordentliches" und „ausserordentliches" Budget.
B. Verwaltungsbudget und wirtschaftende Unternehmen (Budgetanhänge; Nettobudgetierung).

[2]) Nur als Randbemerkung sei hier darauf hingewiesen, dass auch Währungsveränderungen, Depreciation, Inflation, das Budget und dessen Darstellung beeinflussen. Das gilt im besonderen für die Kapitalseite des Budgets.

C. A und B in Mischformen.
Ausgliederung von Fonds, Spezialrechnungen, Unternehmen usw. aus dem Budget („Vorfeld").

Kapitaldarstellung:
A. Inventar des Staatsbesitzes.
B. Schuldendarstellung.
C. Logismographie: Vermögens- und Schuldendarstellung mit Bilanzierung.

2. *Die Tendenzen und Methoden der ersten Hälfte des zwanzigsten Jahrhunderts; die Folgen der beiden Weltkriege*

Neben den Versuchen und Resultaten in der Darstellung der Budgets des neunzehnten Jahrhunderts, auch in und zugleich über ihnen, haben sich neue Tendenzen und Methoden ausgebildet. Es ist beweisbar, dass die neuen Darstellungsversuche und Erfolge, das Kapitalbudget darzustellen, überhaupt das Budget klarer werden zu lassen, durch die beiden Weltkriege wesentlich beeinflusst worden sind. Entscheidend wichtig ist, dass sie einmal als Teilproblem der Darstellung des „ausserordentlichen" Budgets auftreten, zum anderen als Problem des darzustellenden Kapitalbudgets und weiter als das Bemühen, die betriebswirtschaftlichen und kommerziellen Funktionen des Budgets sichtbar zu machen. Das mag als historisches Erbe der Darstellungsfragen des vorigen Jahrhunderts aufgefasst werden. Darüber hinaus ist aber der Eingliederung des „Vorfeldes" des Budgets sowohl in Voranschlag und Rechnung wie in die jährliche Bewilligung, aber auch in das Arbeitsgebiet der Rechnungsprüfungsbehörde und damit der politischen Kontrolle, grosse Aufmerksamkeit zugewendet worden. Ausserdem ist aber auch das Gesamtproblem klarerer Budgetdarstellung erheblich weitergeführt worden.

Das „ausserordentliche" oder Kapitalbudget hatte schon früher vielerlei Varianten ausgebildet, zumeist färbten sie sich nationaleigentümlich und sie blieben gern im traditionellen Gewand. In dem einen Staat wurde das Kapitalbudget differenziert, es spaltete sich in verschiedene Formen auf. Es bildeten sich die „Budgets speciaux" aus, die Fondsrechnungen, mitunter wurden sie gemeinsam bedeutender und umfassender als die nun altmodisch erscheinenden, staatlichen und gemischt-wirtschaftlichen Aktiengesellschaften. Gemeinsam war ihnen, dass sie in das „Vorfeld" des Budgets strebten. In dem anderen Staat wurde mit mehr oder weniger Glück versucht, erneut im Budget feste Grenzlinien zwischen „ordentlich" und „ausserordentlich" zu schaffen, wobei ständig neue Mittel „entdeckt"

wurden, um jene Grenzen zu überbrücken, elastisch zu machen oder durch Ausnahmebestimmungen „Notausgänge" zu schaffen. Gelegentlich wurden die Grenzen auch wieder verwischt, einfach weil sich die aktuellen Tatsachen und Schwierigkeiten mit den historisch-theoretischen und budgetrechtlichen Prinzipien nicht einfangen liessen. Im besonderen der Begriff „ausserordentlich" wurde eigentlich ständig umgearbeitet. Zuletzt sind die Fragen, wie die „letzte Million" aufzubringen sei, die das Gleichgewicht des Budgetvoranschlages wieder herstellen mit anderen Worten das Defizit decken soll, praktisch-politische Entscheidungen, und diese erwachsen aus wirtschaftlich-finanziellen Möglichkeiten und dem Willen, so oder so zu entscheiden, und nicht aus Theorien.

Ingesamt wurde die Darstellungsfrage dadurch beeinflusst, dass sich das „Vorfeld" des Budgets nicht nur ständig weiter ausdehnte und sich den jährlichen Budgetberatungen mit Erfolg entzog, sondern auch einfach deswegen, weil es „unsichtbar" wurde. Zugleich wandelten sich die Funktionen im „Vorfeld". Man denke hier an die selbständigen Pensions-, Sozial-, Kultus-, Stände- und Militärfisci, in den Diktaturstaaten auch an die Parteifisci. Von diesen Fisci aus — die nicht im Budget erschienen oder nur teilweise und mit Nettoziffern — und zu ihnen gingen Geldströme. Es ging nicht nur um deren Einnahmen (Beiträge) oder einmaligen Zuschüsse (Kapitalfonds), sondern auch um deren eigene Fonds- und Kapitalbildung. Diese fanden wiederum mitunter eigenartige Beziehungen sowohl zum „ordentlichen" wie zum „ausserordentlichen" Budget.

Der Krieg wirkte mit seinen unterschiedlichen Finanzierungsmethoden problemauflösend und problembildend. Der eine Staat bemühte sich, einen möglichst grossen Teil seiner Kriegsausgaben durch steuerliche Mittel zu decken; so z.B. England, und dies aus traditioneller Gewohnheit. In anderen Staaten — z.B. dem damaligen kaiserlichen Deutschland (bis 1918) — scheute man jahrelang das Anziehen der Steuerschraube, und „deckte" die Kriegsausgaben durch kurzfristige Kredite, die nach und nach in langfristige Anleihen umgewandelt wurden. Somit wurde das „ausserordentliche" oder Kapitalbudget hypertrophiert, seine Einnahmen wirkten aber nicht kapitalbildend, sondern sie wurden „ordentlich" verbraucht.

Dazu kam, dass im Kriege die Vorratsbildung als wesentliches Element der Budgetausgaben umsomehr wirksam wurde, als die internationalen Auseinandersetzungen der Waffen sich über die Jahre ausdehnten. Bald umfasste die Vorratsbildung nicht nur Kriegsmaterial, sondern auch industrielle Rohstoffe, und dann auch Nahrungsmittel. Wie und wo sollte das im Budget dargestellt werden? Diese Frage wurde aber im ersten Weltkrieg noch nicht zwingend gestellt, zumeist gingen die Meinungen dahin, dass es um einmalige

und ausserordentliche Zustände gehe, die sich mit dem Kriegsende wieder in die gewohnten Formen umbilden resp. untergehen würden. Mit dem zweiten Weltkrieg ist das anders geworden. Schon vorher wurde das Budget der Kriegsvorbereitung dienstbar gemacht. Damit tauchte aber ein anderes Problem auf, das aktueller erschien, die Frage nach der Kostenrechnung. Die Vorräte erschienen nicht im Budget, sie waren dort „ordentliche" oder „ausserordentliche" Ausgaben, soweit sie nicht im „Vorfeld" verdeckt wurden.

Bei den Kostenrechnungs-Versuchen ging es weniger um deren budgetäre Darstellung als mehr darum, die Erzeugungskosten der Staatslieferanten zu kontrollieren, zu einem „angemessenen Preis" der Aufrüstung resp. der Vorratshaltung zu kommen. Darüber hinaus wurde versucht, bei den Staatsausgaben privatwirtschaftliche Betriebsgesichtspunkte herauszuarbeiten. Es wurde die Kostenrechnung im Budget entwickelt (Nettokosten). Hier hat im besonderen England nach dem ersten Weltkrieg intensive und mehrjährige Versuche unternommen, die dadurch besonders interessant erscheinen, dass sie an einem der wichtigsten Teile des Budgets, bei den Militärausgaben, experimentell erprobt wurden. Es sollten die Selbstkosten jedes Regiments, jeder militärischen Einheit, festgestellt werden. Das Experiment ist wieder aufgegeben worden. Später sind aber diese Systeme der „Cost Accounts" und des „Cost Distributions Systems" wieder wirksam geworden [3]).

Inzwischen war eine wirkliche „Flucht aus dem Budget" üblich geworden. Beinahe jede neuentstehende Staatsaufgabe versuchte sich ausserhalb des Budgets als eigene Institution zu verselbständigen. Bisher bescheidene Staatsverwaltungen erhielten wirtschaftende Aufgaben, von denen sie früher nichts geahnt hatten, aber auch einzelne Ministerien, so z.B. das Wirtschaftsministerium, wurden zu wahren Industrie- und Kreditkonzernen, und Landwirtschaftsministerien wurden in nie erwartetem oder erträumtem Umfang zu Vorratsverwaltungen. Dazu kamen ad hoc beschlossene Regulierungsaufgaben und Subventionen, die sich als selbständige Fonds installierten. Nicht jede dieser Aufgaben nahm die Gestalt einer Aktiengesellschaft oder eine ähnliche Form an. Oft wurden jene Aufgaben eigentlich nur buchungssmässig verselbständigt, so war zum mindesten der Anfang. Dann bildeten sie sich unter einem selbständig gewordenen Budgettitel zu Institutionen mit tausenden, ja zehntausenden von Angestellten und Beamten aus. Mit einer firmenmässigen Abkürzung — von ABC

[3]) Nur erwähnt sei hier die Kampagnes der „Times" von 1933, die mit Unterstützung einer Reihe von Wissenschaftlern der Einrichtung eines ausserordentlichen Budgets galt. Hier ging es um eine Reformidee, die bezwecken sollte, die Ausgabenerhöhungen nicht durch Steuern sondern durch neue Anleihen zu decken.

bis XYZ — und eigenem Grundstock ausgerüstet (sogenannte „einmalige" Bewilligung), nicht selten mit eigenen laufenden also „ordentlichen" Einnahmen, wurden sie zu selbständigen Kapital- und Vermögensverwaltungen, deren Rückeinnahmen nicht in das Budget abflossen, sondern bei ihnen verblieben. Diese budgetäre Selbständigkeit ausserhalb des Budgets war nur der erste Schritt, ihm folgte das „hinausgleiten" aus der jährlichen Budgetberatung, Budgetbewilligung und Budgetabrechnung. Man entschlüpfte auch aus den Armen der staatlichen Rechnungsprüfungsbehörde und revidierte sich selbst oder liess sich durch eine private Revisionsfirma die Richtigkeit der Bücher bescheinigen. Bald waren aus den ehemaligen kommerziellen Buchhaltungen wirtschaftende Staaten im Staate geworden, die auch hinsichtlich der Gehälter der Staatsverwaltung weit „überlegen" waren.

In dem einen Staate — so z.B. in den Vereinigten Staaten — wurde diese Entwicklung zum Problem der Government Corporations, in dem anderen — so z.B. in Frankreich — zu den beim Trésor geführten „Comptes speciaux" und zu dem der selbständigen „Societés d'Etat". Während man sich in manchen Staaten immer noch mit der alten Budgetfrage plagte, was eigentlich „ordentliche" und was „ausserordentliche" Ausgaben und Einnahmen seien, war das Budget auf der Ausgabenseite in drei Funktionen zerfallen, die aber als solche im Budget nur teilweise oder überhaupt nicht sichtbar wurden: Staatsverwaltung, Vorratswirtschaft und Kapitalunternehmen und -fonds. Zu allem kam, dass auf der Einnahmenseite die notwendige Befriedigung der Kriegsausgaben zu ständig neuen Formen der Geldbeschaffung führte. Während in dem einen Lande die Geldschöpfung, soweit sie nicht aus Steuern erreicht werden konnte, traditionell aus kurz- und mittelfristigen Staatsbankkrediten (Schatzwechseln) gesichert wurde, die immerhin noch im „Budgetmantel" (Budgetgesetz) oder durch besondere legislative Ermächtigungen sichtbar blieben, wurde in anderen Staaten üblich — so im besonderen in Italien und Deutschland — ständig neue Hilfsinstitutionen zur Kreditschöpfung zuschaffen, die ausserhalb des Budgets blieben, teilweise überhaupt geheim arbeiteten.

Am weitesten stiess hier die Sowjetunion in „unbebautes Gelände" vor. Hier nennt man die jährlichen Anleihen, die der Defizitdeckung dienen, nicht mehr Anleihen, obwohl sie durchaus deren technische Kennzeichen aufweisen (Lotterieanleihen, Amortisationsplan, weitreichender Zeichnungszwang), sondern „abgeschöpfte Geldreserven". So kennt die Sowjetunion auch keine Unterscheidung zwischen ordentlichen" und „ausserordentlichen" Ausgaben und Einnahmen, denn alle Staatseinnahmen und -Ausgaben seien „ordentlich", aber auch kein Kapitalbudget, denn die Staatsunternehmen sind nur

durch Zuschüsse (Investitionen) oder Ueberschüsse mit dem Budget verbunden.

3. *Die neuen Tendenzen und Methoden der Budgetdarstellung*

Seither sind drei Tendenzen der Sichtbarmachung des „ausserordentlichen" oder Kapital- und Wirtschaftsbudgets wirksam geworden. Sie fliessen mit der Frage der neuen Gesamtdarstellung des Staatsbudgets zusammen. Vor allem ist ein starker Zug, „zurück ins Budget", sichtbar geworden. Hier seien nur zwei Beispiele gegeben.

In den Vereinigten Staaten ist durch besonderes Gesetz alles was sich Government Corporation nennt oder ähnliches darstellt, wieder dem Budget eingefügt worden (Government Corporations Control Act, 1946). Damit sind jene „Vorfeld"-Institutionen nicht nur der Rechnungsprüfungsbehörde (General Accounting Office) wieder revisionspflichtig geworden, auch ihre Budgetvoranschläge unterliegen wieder der jährlichen Beratung und Bewilligung. Hierbei ist das alte Problem der speziellen Darstellung solcher Institutionsausgaben und -einnahmen erneut erörtert, es ist wohl auch eine Lösung gefunden worden. Man hat sich gefragt, ob es bei „doppelter Buchführung" und kaufmännischer Bilanz bleiben solle oder ob es vorzuziehen sei, alles in die gewohnte kameralistische Buchführung zurückzunehmen oder ob eine neue Budgetierungsmethode entwickelt werden solle. Man entschied sich für das letztere. So kam es zu den sogenannten „Business Type Budgets" zum Unterschied vom „Government Type Budget". Eine weitere Konsequenz war, dass gefragt wurde, ob die Rechnungsprüfungsbehörde imstande sein werde die Rechnungen der „Business Type Budgets" durch ihre Beamten prüfen zu lassen. Daraufhin hat das General Accounting Office eine besondere Sektion zur Prüfung jener „Business Type Accounts" eingerichtet.

In Frankreich ist zuerst durch „L'Inventaire de la Situation financières de la France, 1913—46", dem sogenannten L'Inventaire Schuman, in das „Vorfeld" des Budgets hineingeleuchtet worden. Es gab allgemeines Erstaunen. Die „Credits et Comptes speciaux" und „Budgets annexes" wollten nicht gleich alle ans Licht kommen. Zuletzt sind etwa 400 festgestellt worden. Auch sie wurden durch spezielle Gesetzgebung in das nunmehr wieder „absolut" einheitliche Budget eingegliedert. Zugleich wurden unter den Auspicien des Cour des Comptes entsprechende besondere Revisionsorgane geschaffen. Weiter bedeutet diese Eingliederung, dass die Budgets, deren Rechnungsführung, die gewährten Kapitalkredite, die Ein-

nahmen und Ausgaben, das Vermögen usw. aller dieser Teile der staatlichen Ausgaben und Einnahmen wieder under die Kontrolle der Legislative kommen. Welchen Erfolg diese beachtliche Budgetreform, die auch dessen Darstellung weitgehend verändern, zukünftig haben wird, ist noch offen.

Die zweite Tendenz ist, überhaupt neue Formen der Budgetdarstellung zu finden. Die Vereinigten Staaten machten einen beachtlichen Schritt in neuer Richtung. Man kann schon heute sagen, dass er erfolgreich ist. Sie lösten das alte Ministerialgruppenbudget auf, resp. sie lockerten es durch ein danebengestelltes „Functional Budget" auf. Damit nähert man sich der Budget-Kostenrechnung auf einem neuen Wege. Ueberdies ist die funktionelle Darstellung des Budgets seither auch in anderen Staaten erheblich fortgeschritten. Das gilt im besonderen für die Schweiz und dessen Budget. Aber auch Frankreich hat begonnen, sein Budget in Funktionsgruppen darzustellen. Mit diesen Darstellungsformen hängt die Neuschaffung der Nomenklatur und der Symbolisation der Titel, also die neue Bezeichnung und Benummerung der einzelnen Ausgaben und Einnahmen, zusammen. Das ist aber ein Spezialthema, das hier nur gestreift werden kann.

Gegenüber diesen neuen Darstellungs- und Klarstellungs-Formen des Staatsbudgets erscheinen Bemühungen, das alte kameralistische Budget wieder zu beleben, also erneut zu versuchen, „ordentliche" und „ausserordentliche" Ausgaben mit Steuern und Anleihen auf der Einnahmenseite zu gliedern, wenig erfolgreich. Man muss dann ja auch an der traditionell-kameralistichen Terminologie festhalten. Das besondere Beispiel ist hier das Budget der Deutschen Bundesrepublik und ihrer Länderbudgets. Ueberdies ist nicht alles Alte unbrauchbar geworden oder es ist doch noch nutzbar. Das zeigt sicht bei der Unterteilung der „ordentlichen" Ausgaben und -Einnahmen in „laufende" und „einmalige". In Bundes-Deutschland sind dabei, da Anleihen für „ausserordentliche" Ausgaben noch nicht wieder möglich sind, wesentliche Teile der Kapitalausgaben in die „einmaligen" eingegliedert worden. Dagegen haben die Niederlande diese Dreiteilung in einer modernen Form dadurch entwickelt, dass sie jene in ihre Nationalbudgetrechnung eingliederten. Man hat also „Gewone Dienst", Buitengewone Dienst I" und „Buitengewone Dienst II". (Siehe im besonderen die aufschlussreiche „Nota betreffende de Toestand van 's Rijks Financien 1950").

Die dritte Tendenz kommt eigentlich aus den Nationalbudget-Berechnungen, wie sie in so gut wie allen Ländern üblich wurden. Die Nationalbudgets verlangen eine Zusammenpassung mit den finanziellen Staatsbudgets. Das ist aber nicht ohne weiteres möglich, solange beide von unterschiedlichen Darstellungsprinzipien ausgehen,

und im besonderen so lange die wirtschaftende und die Kapitalfunktion des Staates verschleiert bleibt.

4. *Völlig neue Wege?*

Nach unserem Wissen sind bisher zwei völlig neue Wege der budgetären Darstellung vorgeschlagen worden. In England, das kein „ordentliches" und „ausserordentliches" Budget kennt, hat man versucht, eine Synthese zwischen der gewohnten kameralistischen Darstellungsmethode und der Darstellung des modernen wirtschaftenden Budgets zu finden. (Siehe im besonderen: Hicks, J. R., The Problem of Budgetary Reform; Oxford 1948). Hicks lehnt ab, die „old-fashioned" Treasury-Rechnung zu verlassen. Es sei zwar nicht unmöglich, sie in modernes „Business Accounting" umzuwandeln, aber das werde viele Schwierigkeiten mit sich bringen. Für die alte Type der „Administrative Departments" sei die bisherige Darstellungsmethode durchaus passend. Es solle aber neben der traditionellen „Excheqer Account" eine „Capital Account" gebildet werden. Hier sollten die nunmehr „Trading Departments" oder „Trading Sections" der „Administrative Departments" genannten Budgetteile dargestellt werden. Bisher hat man sich im englischen Budget damit abgefunden, dass die Kapitalwirtschaft „below the line" dargestellt wurde, aber in ihr erscheinen durchaus nicht alle Kapitalengagements. Zudem ist auch die Frage des „Vorfeldes" mit jenem Vorschlag nicht ohne weiteres gelöst.

In den Vereinigten Staaten hat der Hoover Report (Commission on Organization of the Executive Branch of the Government. A Report to the Congress, february 1949) versucht, eine völlig neue Methode der Budgetdarstellung zu entwickeln, das sogenannte Performance Budget (Vollzugs-, Erfüllungs- oder Leistungs-Budget). Während bei dem englischen Versuch zuerst kommerziell gedacht wird, ist der amerikanische Vorschlag vor allem betriebswirtschaftlich gemeint. Er will für jede Verwaltung, gleich welcher Art und Form, eine Art wirtschaftliche Effektivitätsrechnung aufstellen. Sie soll die wirtschaftliche Leistung, also Kosten und Effekt, gegeneinander stellen.

Wir kommen auch hier zu dem Versuch einer Synopsis, sie zeigt gegenüber dem neunzehnten Jahrhundert wesentliche Veränderungen:

A. Dreiteilung des Budgets:
verwaltende, bewirtschaftende (vorratsbewirtschaftende) und Unternehmungs-Ausgaben und Einahmen.
B. Ausbildung des Budget-„Vorfeldes":
Ausgliederungsysteme;

Eingliederungsmethoden.

C. Darstellung des Kapitalbudgets:
Betriebs- (Verwaltungs-) und Kapital- („Unternehmungs-)-Budget;
Administrative und Business Type Budget;
Administrative und Commercial Departments resp. Sections.

D. Neue Formen:
Kostenrechnungen;
Functional Budget;
Performance Budget;
Eingliederung des finanziellen Budgets in die Berechnungen des Nationalbudgets.

5. *Schlussfolgerungen*

Es darf wohl angenommen werden, dass der hier gegebene Ueberblick zureichend beweist, dass die Darstellung des Budgets, im besonderen seiner Kapitalseite, keine „konservative Materie" ist. Auch wenn die politische Willensbildung als Motiv ausgeschaltet wird, wie von uns beabsichtigt war, bleibt die Erkenntnis, dass die alten Budgetformen des neunzehnten Jahrhunderts aus sich heraus, also aus ihrem eigenen Wesen, neue Darstellungsformen benötigten. Ausserdem zeigen sowohl die Tatsachen als die Vorschläge, dass es neue Darstellungsmethoden gibt und dass das Problem in vielen Ländern entschlossen angepackt wurde. In einer Zeit, in der die Budgets vergangener Jahrzehnte und in besonderen des neunzehnten Jahrhunderts wie Kassenbücher aus Liliputstaaten wirken, und manche Staatsbudgets weiter so aussehen wie die Flugmaschinen um 1910, ist es brennend notwendig, das Hauptbuch des modernen Staates so darzustellen, dass es den Aufgaben und Pflichten der Gegenwart entspricht. Die technischen Möglichkeiten brauchen nicht neu erfunden zu werden, sie sind sowohl als Modellsammlung wie als praktisch ausgeprobte Methoden vorhanden. Allerdings, der Wille zur budgetären Klarheit ist kein Geschenk des Himmels, sondern eine aus staatsbürgerlicher Erkenntnis sich gestaltende Kraft — womit wir wieder dort angelangt sind, worüber in dieser Arbeit, wie einleitend versprochen, nichts geschrieben werden sollte.

THE CAPITAL BUDGET AND ITS PRESENTATION

SUMMARY

Budget Law and the presentation of the Budget resulting from it is not a "conservative subject". This can be seen from the constant changes in Budget technique that have taken place from the 19th century onward. This becomes particularly obvious on examination of *capital budgeting.*

In the 19th century there are essentially two problems connected with capital budgeting. One concerns the question whether the budget should be a *Double Budget;* this is usually called "ordinary" and "extraordinary" revenue and expenditure, or Current Budget and Capital Budget. The other concerns the question whether and how the economic functions or the Current and the Capital Account of the Budget should be *separately specified.* A historical outline shows how full of the changes the history of the Capital Budget has been in the 19th century.

The 20th century and in particular the two world wars have given rise to *new budgetary problems* and have provided new solutions and attempted solutions. The Italian "*Logismographie*", which arose in the 19th century and endeavoured, by business accounting methods, to present a picture of the current and the capital budget and also of net Government revenue and expenditure, was continued in the 20th century, while also essentially new solutions were found for it in other countries.

The Budget was divided into *three sections,* for distinction between current, administrative and enterprise revenue and expenditure. The "*Vorfeld*" of the Budget became significant.

In recent years an important change was effected; *undivided* Budgets were introduced, which again incorporated all Government interests hitherto excluded from the Budget. They were again submitted to the Government Audit Office and subject to annual Budget approvals and verifications, and thus submitted to the legislative bodies. Simultaneously, entirely new budgeting techniques were found, such as the *Functional Budget* of the United States, the new method of capital budgeting in Switzerland, etc.

Finally, new ideas and proposals are dealt with, in particular those of the United States — the Hoover report — and of Britain. Here we find that the old problems of capital budgeting ask for new formulations. Whereas in England a division into *Administrative* and *Commercial Departments* is proposed, the Hoover report states that a *Performance Budget* should be developed, i.e. a Budget showing the effective achievements and the actual cost of each Government function.

The work shows in an introductory historical outline that the economic functions of the State did not arise only in the 19th century. It also shows how the concept "extraordinary" originated. It was not the problem of capital accounting itself that placed modern budgeting constantly before new difficulties, but it is the bundling of all Government expenditure and revenue, as became customary in the 19th century, for which solutions had to be found. As the Government Budget grew the citizens became more interested in the "General Ledger" of the State, simultaneously with the right and the duty of the Legislative to give approval and to verify Budget Accounts. *From this* the demands for clear budgeting have arisen.

LE BUDGET DU CAPITAL ET SA PRESENTATION

RÉSUMÉ

Le droit budgétaire et la présentation du budget qui en résulte n'est pas une „matière conservatrice". On s'en rend compte aux changements réguliers des présentations du budget tels qu'ils se sont succédés au dix-neuvième siècle, et plus tard. Cela devient éclatant après une étude comparative *de l'aspect „capital" du budget.*

Au dix-neuvième siècle, il s'agissait avant tout de deux problèmes de présentation du budget. Le premier concernait la division du budget en deux: chapitres „revenus et dépenses extraordinaires", ou „budget de gestion" et „budget de capital". L'autre problème était de savoir si, et de quelle façon, les tâches économiques (ou aspect „capital") et la partie „gestion" du budget devaient être isolées de ce budget. Une esquisse historique démontre combien ce budget-capital a été une notion mouvante au cours du dix-neuvième siècle.

Le vingtième siècle et en particulier les deux guerres mondiales ont fait apparaître de nouveaux problèmes et apporter de nouvelles solutions ou essais de solutions. La *logismographie* italienne (isolée au dix-neuvième siècle) — qui s'efforça de donner un tableau du budget-capital et du budget de gestion, calqué sur les méthodes du commerce privé et qui élabora aussi un bilan du capital net de l'Etat — a été suivie au vingtième siècle dans d'autres pays, offrant des solutions foncièrement nouvelles.

On parvint finalement à une *division tripartite* du budget: dépenses et revenus de gestion, d'administration et d'entreprises. Le problème des „approches" du budget devint important. Dans les grandes Nations un changement radical est intervenu au cours des dernières années: on a évolué vers le budget *universel* qui englobe à nouveau tous les intérêts de l'Etat, laissés jusqu'à présent en dehors du budget. Ces derniers sont à leur tour soumis à la comptabilité de l'Etat et aux autorisations et comptes annuels, c'est-à-dire au pouvoir législatif. En même temps, des présentations entièrement nouvelles ont été trouvées, telles le „Budget fonctionnel" aux Etats-Unis, le budget-capital en Suisse, etc.....

Enfin, on examinera les idées nouvelles et propositions, en particulier celles des Etats-Unis (rapport de Hoover) et de l'Angleterre. Nous verrons ici que les anciens problèmes du budget-capital imposent la recherche de nouvelles présentations. Alors qu'en Angleterre on propose la division en parties „administrative" et „commerciale", le „Hoover-Report" est d'avis qu'on devrait développer un „Performance Budget", c'est-à-dire un budget où la prestation effective et les frais réels de chaque fonction de l'appareil gouvernemental devraient être représentés.

L'étude montre — dans une perspective historique lui servant d'introduction — que ce n'est pas au XIX° siècle seulement que l'Etat est parvenu à des fonctions économiques. En même temps, elle montre comment est née la notion de budget „extraordinaire". Ce n'était pas le problème de la gestion de capital en lui-même qui mettait la présentation du budget moderne continuellement devant de nouvelles difficultés, mais c'est la réunion de tous les revenus et toutes les dépenses comme elle était pratiquée au dix-neuvième siècle qui imposait une nouvelle solution. Avec un budget d'Etat croissant, l'intérêt porté par les citoyens au „grand livre" de l'Etat ainsi que le droit et le devoir du pouvoir législatif d'autoriser et de contrôler les comptes du budget .sont devenus constamment plus imposants. Ce sont ces facteurs qui ont posé les conditions d'une présentation claire du budget.

NOTE ON AN INCOME EFFECT OF CHANGING INTEREST RATES

BY MELVIN I. WHITE AND MERTON MILLER

Monetary and debt management policies requiring changes in the level of interest rates may be complicated in their effects by the possibility that changes will also be produced in the volume of government interest payments. Thus, as a result of the *income effect* of increased interest payments, restrictive policies calling for a rise in interest rates may actually contain an element of expansion. Similarly, policies directed at stimulating expansion through lower interest rates may have, as a corollary, contactive effects resulting from a reduction in the volume of interest payments. Depending on its quantitative importance, such an income effect argues more or less strongly not only for supporting the price of government securities and thereby stabilizing the level of interest rates during an inflation, but for maintaining government security prices and the level of interest rates stable generally throughout the business cycle [1]).

A full appraisal of the possible significance of this income effect of interest rate movements would, of course, involve consideration of numerous institutional factors — the most obvious and perhaps most important of which are the size, maturity structure, and ownership distribution of the public debt, and the propensities to spend out of current income of the debt holders [2]). But such an

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[1]) The authors were present at an occasion when a distinguished British economist actually cited the possible inflationary effects of a rise in government interest payments as the primary reason for the support policy pursued by his government at the time. Professor Hart has evidently encountered a viewpoint among professional economists that regards the destabilizing effects of interest payments as sufficient grounds for surrendering the interest rate entirely as a stabilization instrument. See Albert G. Hart, *Money, Debt and Economic Activity,* New York, Prentice-Hall Inc., 1948, pp. 498-9.

[2]) Even with a large debt, short-run changes in the volume of interest payments associated with short-run fluctuations in rates may be relatively slight,

appraisal would also involve a problem of formal analysis with which this note is concerned.

Suppose the Government does not balance changes in the volume of interest payments by changes in tax revenues, but rather by issuing or destroying money (through adjustment of indebtedness to the central bank). Then an initial rise in the volume of interest payments resulting from a rise [3]) in interest rates would have an expansive effect on aggregate income of the community, *and* on the community's money stock [4]). On the basis of the relationships commonly assumed between the interest rate and income and the money supply, the expansion of income would tend to exert a further upward pressure on interest rates leading, in turn, to a further increase in interest payments. On the other hand, expansion of the money stock would tend to reduce interest rates, and consequently interest payments and income. Considering these two opposing tendencies in abstraction, it is not readily apparent what their possible ultimate net effect would be. Whether, for instance, the interest-income relationship would dominate at every stage so that both would tend to rise continuously, each one generating a subsequent increase in the other; or whether the expanding money stock would come to dominate at some stage, tending possibly to return interest rates, interest payments, and income to the level prevailing prior to the initial rise.

II

The problem can be dealt with by use of a dynamic model based on a set of equations of a familiar Keynesian type. Furthermore, the income effects can be appropriately regarded as marginal: this is reflected in the equations below in that the terms for such quantities as income and the money stock represent increments (if positive) or decrements (if negative) in levels that might otherwise prevail.

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since the amount of refinancing that can be done within any given period is limited by the maturity structure of the debt.

Within any period, the percentage rise in interest payments on the total debt resulting from a given rise in the average coupon rate on maturing debt will depend on the ratio of the average rate on the maturing portion to the average rate on the whole debt, computed before the rise, and on the proportion of the total debt outstanding that the maturing component represents.

[3]) For convenience a rise in rates is spoken of here, though the problem arises with either a rise or fall.

[4]) The rise in interest rates may, at the same time, have a restrictive effect on investment, but this aspect is not considered at this point.

The definitions and assumptions immediately relevant to the equations to be used are as follows [5]):

1 - Let Y_t, C_t, P_t, M_t, i_t be respectively, the level of money income, consumption, interest payments on the public debt, money stock and interest rates of period t *as compared* with levels prevailing in period zero.
2 - t is a period such that the income velocity of active money is unity.
3 - Assume consumption in period t is a linear function of aggregate income of the previous period and the income coefficient, c, is between zero and unity [6]).
4 - Assume a public debt outstanding, of constant size and composition, and that all of the debt is instantaneously refinanced at the end of each period at the level of interest rates prevailing in the period. Ignoring any investment (or consumption) effects of changes in interest rates, interest payments on the debt become the only component of spending that is a direct function of the interest rate. The interest coefficient, d, then stands for the size of the public debt [7]).
5 - Assume interest payments to be financed entirely out of new money, and that there is no other source of new money.
6 - Assume the demand for all money not absorbed in active balances of a period is linear, inverse function $(-l)$ of the interest rate of the period.

These definitions and assumptions yield the following set of equations:

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[5]) It is to be noted that the effects of taxation are omitted from the following discussion. A proportional tax could be incorporated into the analysis and still permit the coefficients in the equations to remain constant (for example, the tax might be reflected in a consumption coefficient that is a certain percentage lower than without the tax). However, a progressive tax would imply varying coefficients, and a more complicated set of equations to solve.

[6]) If investment is assumed to be responsive to the relatively small changes in income contemplated here, the response might also be considered to be linear and added to the consumption response of item (3); the coefficient c would then become a marginal propensity to spend rather than only to consume.

[7]) That is, d can be regarded as the resulting *net* effect on changes in income and the money supply of the two opposing kinds of response to changes in interest rates. A positive d means that if the interest rate rises, the increase in income via interest payments on the public debt is greater than the decrease in investment. A negative d indicates that income and the money supply decrease, on balance, when interest rates rise. See also footnote 11, page 7.

I. $Y_t = C_t + P_t$

II. $C_t = cY_{t-1}$ [$O < c < 1$; see (3) above]

III. $P_t = d\, i_{t-1}$ [see (4) above]

IV. $M_t = Y_t - l\, i_t$ or $i_t = \frac{M_t - Y_t}{-l}$ [$l > O$; see (6) and (2) above

V. $M_t - M_{t-1} = P_t$ [see (5) above]

In terms of these equations, the problem can now be expressed as follows: suppose that in period zero the system is displaced from equilibrium, by an autonomous change in the rate of interest — occasioned by a shift in the liquidity preference schedules of the community [8]) which is not offset by any action of the monetary or debt management authorities. What will be the subsequent behaviour of Y_t, M_t, and i_t as t approaches infinity?

It can be shown that whatever values the parameters, *c*, *d*, and *l* take that are consistent with assumptions stated above [9]), Y_t, M_t and i_t must describe one or the other of three possible patterns as t increases [10]).

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[8]) Reflected in a change in the value of *l*, which, however, remains constant thereafter.

[9]) Namely: $0 < c < 1$; $l > 0$; $d > 0$.

[10]) Equations I through V imply that if Y (or M or i) for any two successive periods is known, its value for the third period is determined. The mathematical problem, then, is that of solving second order difference equations with constant coefficients. By simple algebraic process the following equations can be derived:

(1) $$Y_{t+1} - [1 + c]\, Y_t + \left[c + \frac{d}{l} - \frac{cd}{l}\right] Y_{t-1} = 0$$

The behaviour of Y_t can be discovered from the equation:

(2) $$Y_{t+1} - Y_t = AX_1^t + BX_2^t$$

Where X_1 and X_2 are roots of a quadratic equation involving the coefficients of the Y terms in equation (1), and A and B are constants whose values also reflect assumptions concerning *c*, *d*, and *l*. Depending on whether the roots X_1 and X_2 are real or imaginary and greater or less than unity in absolute size, Y_t (and similarly M_t and i_t) will follow one or the other of four possible patterns. Three of the patterns are discussed above, and the fourth is referred to briefly in footnote 10.

For a very similar type of analysis, see Samuelson, Paul A: "Interactions Between the Multiplier Analysis and the Principle of Acceleration". *The Review of Economic Statistics*, May, 1939, and reprinted in *Readings in Business Cycle Theory*, The Blakiston Company, Philadelphia, 1944.

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1 - For one of the possible patterns, income (Y_t), after rising (or falling) in response to the initial change in the interest rate and the volume of interest payments, reverses its direction and gradually approaches the level that prevailed in the zero period; the money stock (M_t) expands (or contracts) gradually, approaching some permanently different level; while the interest rate (i_t), after being displaced in period zero, moves indefinitely in the opposite direction, approaching the level prevailing before the displacement. For this pattern the values of d, l, and c must be such that $\frac{d}{l} \leq \frac{1-c}{4}$.

2 - As a second pattern, Y_t, i_t, and M_t describe a series of damped oscillations around the levels approached in pattern (1). For this pattern: $\frac{1-c}{4} < \frac{d}{l} < 1$.

3 - The third possible pattern is one in which Y_t, i_t, and M_t describe a series of oscillations of ever-increasing amplitude around the levels approached in pattern (1). For this pattern $\frac{d}{l} < 1$.

In patterns (1) and (2), the income effect of a change in interest rates is temporary. Following an initial displacement, income, the interest rate, and the volume of interest payments tend to return to their previously existing levels — though the path for pattern (2) is less smooth than for pattern (1). In pattern (3), however, the interest payment factor becomes a lasting source of instability. The oscillations of income and the interest rate, and the money stock, over time tend to become "explosive" — the successive peaks and troughs moving further and further from the levels prevailing prior to the initial displacement.

III

It would perhaps be possible to move the analysis down the ladder of abstraction by conjecture as to likely values for c, d, and l. A consensus as to reasonable values for c certainly seems achievable, but the value of d presents great difficulties to the estimator. Allowance must not only be made for the maturity structure of the debt. But for realistic application, any value assigned to d must also reflect an estimate of the sensitivity of private investment to changes in interest rates — which effect was not included in the simple model [11]).

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11) If investment effects are present and if the new investment is financed by new money, the value of d is, in effect, reduced and may even become negative. When d is negative, the resulting system of equations is of a more generalized and familiar aspect. It contains, however, an interesting departure from the usual elementary monetary equilibrium model: neither the quantity

In the case of *l*, a number of statiscal analyses of the relationship between the money supply and interest rates have been made that might provide a basis for narrowing the range of probable values, but it is unlikely that the results would command wide agreement [12]).

Even without quantification, however, certain inferences can be drawn from the analysis that may have relevance for the formation of debt management and monetary policies in an inflationary situation. In such a situation investment demand may be highly insensitive to a rise in rates. Particularly with a large volume of short-term debt outstanding, *d* on balance may then well be positive. If the demand for cash balances is highly sensitive to interest rate changes, a rise in interest rates would intensify inflationary pressures in the short-run — though this effect would disappear over time as the interest rate returned to its initial level. If, on the other hand, the demand for cash balances is highly unresponsive to changes in interest rates, the initial rise in rates would then add an element of long-run disturbance to an already disturbed situation.

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of money nor the interest rate (nor investment) is assumed to be constant. In such a system none of the three patterns discussed above would be applicable. A negative value for *d* is, in fact, associated with a fourth pattern: namely, that as t increases, i_t moves continuously in the direction of its initial change, and Y_t and M_t move continuously in the opposite direction. There is no tendency in this pattern for the system to return to and come to rest at predisplacement levels, as is the case for patterns (1) and (2).

Thus it is implied that if all investment is financed out of new money (an extreme assumption), then an inverse relationship between the interest rate and investment may no longer be an equilibrating factor of the system, but may be a factor contributing to the system's instability instead.

[12]) See James Tobin, "Liquidity Preference and Monetary Policy", *Review of Economic Statistics,* Vol. XXIX No. 2 (May, 1947); M. Kalecki, "Short-term Interest and Velocity of Cash Circulation", *Review of Economic Statistics,* Vol. XXIII, No. 2 (May, 1941); Haskell P. Wald, "The Expanded Money Supply and Economic Activity", *Survey of Current Business,* Volume 26, No. 5 (May, 1946).

LE PROBLÈME DE LA RÉFORME DE LA FISCALITÉ FRANCAISE

(FIN)

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CHAPITRE II - *La thérapeutique de la fiscalité*

SECTION II - *Les projets de réforme*

Il s'agit des projets privés, c'est-à-dire extra-gouvernementaux. Ils sont très nombreux mais aussi fort inégaux (il en est même d'une extrême fantaisie!). Nous n'en retiendrons que les deux plus intéressants. Et, après les avoir examinés, nous indiquerons nos propositions personnelles qui d'ailleurs s'apparentent à l'un d'eux.

§ 1 - *Les deux principaux projets*

Ils émanent de confédérations syndicales: d'un côté, la Confédération générale du Travail (C.G.T.); de l'autre, la Confédération générale des cadres (C.G.C.) et la Confédération générale de l'Epargne (C.G.E.). Quelques remarques d'ordre général avant de les étudier séparément. Ces projets traduisent, dans le domaine fiscal, une tendance qui se manifeste dans tous les domaines: l'action des syndicats qui, dans notre „démocratie" supplée l'apathie des gouvernants et notamment des parlementaires. Il est curieux de constater que les partis politiques sont dans l'incapacité d'élaborer un véritable plan de réforme fiscale car on ne saurait considérer comme tel les quelques allusions que contiennent, en matière d'impôts, les vagues programmes qu'ils donnent en pâture aux citoyens-contribuables. Tous les partis sauf un: le parti communiste qui a établi un projet

ressemblant, comme un „frère", à celui de la C.G.T. (c'est pourquoi nous n'en parlerons pas davantage). Les deux projets des confédérations syndicales s'opposent en effet quant à leur inspiration doctrinale. Et ceux de nos lecteurs qui sont familiarisés avec la vie politique de notre pays ont déjà deviné dans quel sens s'oriente cette divergence de doctrine: en gros, le projet de la C.G.T. est „autoritaire" tandis que celui de la C.G.E. et de la C.G.C. est „libéral", cela dans la mesure où l'on peut, sans ironie, dire qu'une fiscalité est libérale ou autoritaire. Nous insisterons davantage sur le projet commun de la C.G.C. et de la C.G.E., parce que le projet de la C.G.T. est plus connu. Et aussi, parce que, si ces deux projets — antérieurs, l'un et l'autre, à la réforme gouvernementale de 1948 qu'ils ont d'ailleurs partiellement inspirée — sont actuellement en cours de modifications le remaniement du projet de la C.G.C. et de la C.G.E. tiendra compte dans une certaine mesure, à la fois de cette réforme gouvernementale et de nos propositions personnelles (excusez, cher lecteur, cet aveu dépourvu de modestie!).

1° - *Projet de la C.G.T.*

La C.G.T. a établi deux projets, l'un en 1946, l'autre en 1947. C'est seulement du second — lequel n'est d'ailleurs qu'un correctif du premier — que nous traiterons ici. De ce projet de 1947, vous trouverez, en outre des études publiées dans les journaux financiers de 1947, une analyse et une critique dans l'excellente étude (déjà citée) de notre ami, le Professeur Morange (v. Revue de Science et de législation financières de 1948, p. 64 et s.). Mais nous ne partageons pas complètement l'opinion du Professeur Morange sur la valeur de ce projet. Et c'est pourquoi nous ferons de ce projet plus une critique qu'une analyse.

Sans négliger entièrement d'autres contributions (ainsi laisse-t-il subsister, outre les droits de douane, des droits d'enregistrement et même des droits de timbre qu'il modifie plus ou moins), le projet de la C.G.T. fonde l'essentiel de la fiscalité, tant indirecte que directe, sur trois impôts: impôt sur le revenu, impôt sur le capital-impôt sur les affaires.

L'impôt sur le revenu serait unique. Et il serait „doublement unique": à l'égard des personnes imposables car il frapperait les personnes morales comme les personnes physiques; vis-à-vis de la matière imposable puisqu'il atteindrait le revenu global. Le projet distingue la notion du revenu de celle du capital: les plus-values passent de la première dans la seconde. Le revenu global est constitué, pour sa détermination, par la somme des revenus cédulaires (nous retrouvons les six catégories: commerciaux, fonciers, agricoles, salariés, mobiliers et non commerciaux) lesquels sont calculés, selon les

cas, soit par le procédé de la déclaration contrôlée lorsqu'il existe une comptabilité, soit par le procédé de l'évaluation administrative quand il n'y a point de comptabilité (le contribuable étant toutefois tenu de fournir des renseignements susceptibles d'aider le Fisc à chiffrer les revenus) soit et subsidiairement par le procédé d'un forfait légal appelé „forfait-sanction" (v. l'étude précitée du Professeur Morange, p. 65), parce que les revenus seraient évalués au triple des revenus „moyens" de la catégorie correspondante (par exemple, bénéfices non commerciaux). Les revenus cédulaires, ainsi déterminés, seraient des revenus nets et non des revenus bruts, le revenu global étant lui-même net. Le taux de l'impôt serait progressif et personnel ou au contraire proportionnel et réel selon que le contribuable serait une personne physique ou une personne morale. Dans le premier cas (personne physique), le taux progressif irait de 20 % sur les revenus mensuels, retenez cet adjectif qui nous retrouverons dans le recouvrement de l'impôt) compris entre 0 et 10.000 francs à 85 % sur les revenus mensuels supérieurs à 170.000 francs. Ainsi calculée, l'imposition subirait une décote dégressive se traduisant pour les contribuables ayant de petits revenus par une exonération totale de l'imposition et pour les autres contribuables ayant de la famille (celle-ci, au sens fiscal, comprendrait ascendants comme descendants dès lors qu'ils seraient à la charge du contribuable) par une exonération partielle. Dans le second cas (personne morale), le taux serait proportionnel: 35 %. Le projet s'efforce d'éviter ou, du moins, d'atténuer la double imposition — conséquence, en définitive, du caractère fictif de la personnalité morale — consistant dans la taxation respective, au nom de la société, des bénéfices réalisés et, au nom de l'associé, des bénéfices distribués lesquels sont techniquement des revenus mobiliers. Le recouvrement de l'impôt se rapprocherait, dans toute la mesure du possible, de la réalisation du revenu (le projet posant le principe que l'année au titre de laquelle l'impôt est établi coïncide avec l'année au cours de laquelle les revenus sont réalisés). A cet effet l'impôt serait perçu tous les trois mois sinon même tous les mois (voilà l'explication de la formule „revenus mensuels" ci-dessus mentionnée) soit par retenue à la source dans tous les cas où ce procédé serait praticable notamment pour les revenus salariés et les revenus mobiliers soit, et à défaut, par acomptes provisionnels. Et au début de année suivante il y aurait une régularisation de l'imposition définitivement calculée sur la base du revenu global évalué dans le cadre de l'année.

L'impôt sur la „fortune", seconde pièce maîtresse du régime fiscal du projet de la C.G.T., est complémentaire de cet impôt sur le revenu. En dépit de leurs différences de technique, ces deux contri-

butions seraient donc liées. L'impôt sur la fortune se dédoublerait en une contribution sur le capital et une contribution sur l'enrichissement. Ces deux contributions seraient établies tous les quatre ans, à la suite d'un inventaire des fortunes. La contribution sur le capital — celui-ci étant constitué par la valeur du patrimoine à la date de l'inventaire — serait, au taux proportionnel de 2 %, dûe par les personnes physiques. La taxe sur l'enrichissement — celui-ci étant constitué par la différence de la valeur du patrimoine entre deux inventaires donc par les plus-values des biens anciens (ce qui explique l'absence de ces plus-values dans la base de l'impôt sur le revenu) comme par les biens nouveaux à l'exception de ceux provenant de donations et de successions qui demeureraient soumis aux droits d'enregistrement sur les mutations à titre gratuit — serait due, au taux proportionnel de 35 %, tant par les personnes morales que par les personnes physiques. Et l'impôt sur la fortune serait payable par quarts, tous les ans.

La contribution sur les affaires serait, à la différence de l'impôt sur le revenu et de l'impôt sur la fortune, une contribution indirecte au sens économique: ce serait donc, par le jeu de l'incidence, une contribution sur la dépense. Elle frapperait toutes les personnes, morales ou physiques, exerçant „une profession" indépendante" donc toutes les personnes — et non pas seulement les commerçants — qui vendent des produits et des services à l'exclusion des salariés. Elle porterait non sur le prix de vente mais sur une partie de ce prix, à savoir „la valeur ajoutée", c'est-à-dire sur la différence de valeur entre les ventes et les achats (compte-tenu également de la variation de valeur des stocks). Le taux en serait de 10 %. Cet impôt annuel serait payé par acomptes provisionnels, trimestriels ou même mensuels, qui feraient l'objet d'une régularisation définitive au début de l'année suivante.

Ce projet nous paraît fort intéressant à maints égards. A nos yeux, il a le double mérite de la simplicité, non d'ailleurs dépourvue de technicité, et de l'originalité. Ainsi notamment pour l'impôt sur le revenu qui remplacerait les impôts cédulaires sur les revenus et l'impôt général sur le revenu (n'oubliez pas que ce• projet a été élaboré avant la réforme de 1948), encore que son unité soit plus apparente que réelle: vous avez pu remarquer qu'en définitive il se dédouble en une contribution progressive sur les personnes physiques et une contribution proportionnelle sur les personnes morales. Ainsi également, et plus encore, pour l'impôt sur les affaires qui remplacerait les „taxes" sur le chiffre d'affaires („taxe" à la production et „taxe" sur les transactions) dont il se distinguerait sensiblement et par son régime (il atteindrait toutes les entreprises et non pas uniquement les entreprises commerciales; il ne serait pas assis sur le prix

de vente — chiffre d'affaires — mais seulement sur la valeur ajoutée) et ses avantages. Car, et nous pensons que les auteurs du projet ont raison, il éviterait l'inconvénient de la „taxe" sur les transactions, celui d'être un impôt „à cascades" puisque celle-ci frappe, en principe le chiffre des opérations effectuées par tous les commerçants (qu'ils soient producteurs ou non) — comme il éviterait l'invonvénient de la „taxe" à la production, celui d'être un impôt arbitraire puisque, dans la „taxe" à la production, la notion de producteur n'est pas économique mais fiscale (d'où l'arbitraire dans la détermination des contribuables), sans compter qu'il écarterait une double imposition (la „taxe" sur les transactions se superpose en principe, vis-à-vis des producteurs, à la „taxe" à la production) et qu'il faciliterait le contrôle de l'impôt sur le revenu (la valeur ajoutée, base de l'impôt sur les affaires, n'étant en gros, que le bénéfice brut). Le projet prévoit d'ailleurs un sévère renforcement, à l'égard de tous les impôts, du contrôle et des sanctions. Mais — et voici que commencent les griefs — ce contrôle se construit dans le cadre d'une „fiscalité autoritaire". Outre de grosses lacunes (par exemple, le projet laisse de côté la réforme des impôts locaux qui devait faire l'objet d'une étude ultérieure et distincte qui n'a pas encore été publiée), nous reprochons au projet des exagérations manifestes qui résultent d'une trop grande lourdeur de la fiscalité qu'il construit. Ses auteurs n'ont pas caché que leur conception était subordonnée à une conception économico-sociale à caractère autoritaire. Il s'agit, selon eux, d'utiliser la fiscalité, moins à des fins financières (couverture des dépenses publiques) qu'à des fins économiques (développement de l'économie publique et réduction de l'économie privée) et sociales (lutte contre les riches — aide aux pauvres ou, si vous préférez, aux salariés, spécialement à ceux qui sont chargés de famille). Qu'on nous comprenne bien: nous ne critiquons pas le projet en tant qu'il pose le principe d'une „égalité de sacrifice" devant l'impôt, car ce principe — et nous avons déjà exprimé notre opinion à son égard (v. supra, cette Revue, 1949, p. 138) — nous paraît juste. Ce que nous critiquons, c'est son aspect trop autoritaire, trop combattif même qui se traduit notamment par la lourdeur de l'impôt sur le revenu (pour les personnes morales, le taux proportionnel de 35 % est exagéré comme l'est, pour les personnes physiques, le tarif progressif qui atteint jusqu'à 85 %: cf. dans le même sens, l'article précité du Professeur Morange) et par l'institution de l'impôt sur la fortune qui est, à notre avis, la partie la moins bonne du projet. Déjà il n'est guère original: il rappelle étrangement l'impôt de solidarité nationale (de pénible mémoire comme, malheureusement, la plupart des institutions économiques et fiscales auxquelles est accolé l'adjectif „natio-

nal") qui se subdivisait en contribution sur le patrimoine et en contribution sur l'enrichissement. Et surtout, même si son taux est modéré (ce qui est le cas, dans le projet, de l'impôt sur le patrimoine mais non de l'impôt sur l'enrichissement), il est mauvais du point de vue économique comme du point de vue financier d'autant qu'il est permanent. C'est ce que nous montrerons dans l'exposé de notre projet personnel qui, à la ressemblance du projet de la C.G.C. et de la C.G.E., rejette complètement l'impôt permanent sur le capital.

2° - *Projet commun de la C.G.E. et de la C.G.C.*

Fusion des propositions respectives de la Confédération Générale de l'Epargne (C.G.E.) que préside notre ami le Contrôleur Général Jacomet, et de la Confédération générale des Cadres (C.G.C.), ce projet commun, auquel nous avons partiellement collaboré, a été établi en juin 1948. Et il a recueilli l'adhésion du Comité national de liaison et d'action des Classes moyennes (il existe d'ailleurs des liens entre ces trois organismes). Vous en trouverez une analyse dans le journal financier „La Vie Française" du 4 juin 1948. (La Revue de science et de législation financières ne lui a pas consacré une critique). Ecartant totalement l'idée de la création d'un impôt sur le capital — principale différence avec le projet de la C.G.T. — le projet commun de la C.G.C. et de la C.G.E. met l'accent sur deux grands impôts: un impôt sur le revenu et une contribution sur les affaires.

L'impôt sur le revenu s'apparenterait, dans ses grandes lignes, à celui de la C.G.T. Car il serait, lui aussi, unique (tant vis-à-vis des personnes imposables: personnes morales et personnes physiques qu'à l'égard de la matière imposable: revenu global), progressif et personnel pour les personnes physiques ou au contraire proportionnel et réel pour les personnes morales, rapide (le recouvrement de l'impôt se rapprochant également, autant que possible, de la réalisation du revenu). Il y a toutefois quelques différences importantes d'avec l'impôt sur le revenu de la C.G.T. Les revenus, qui composent le revenu global, sont exprimés non pas en monnaie, mais „en nature" afin de protéger les contribuables contre l'augmentation fiscale qui résulte uniquement des dévaluations monétaires: l'étalon choisi (résumé dans la lettre: S) est le salaire légal du manoeuvre adulte appartenant à la première catégorie de l'industrie métallurgique de la région parisienne, parce que, selon les auteurs du projet, ce salaire serait le reflet exact — ou, du moins, le plus exact — de la conjoncture économique. Ces revenus contiennent en principe les plus-values, ce qui s'explique par l'absence d'un impôt sur le capital. Ils sont évalués par les procédés de la déclaration contrôlée

ou de l'évaluation administrative à l'exclusion de celui du „forfait-sanction". Et, si pour les personnes morales, le taux proportionnel est identique à celui proposé par la C.G.T. (il est également de 35 %), en revanche pour les personnes physiques, le tarif progressif, atténué par le système du quotient familial (qui existait dans l'impôt général sur le revenu et qui subsiste dans la surtaxe progressive de l'impôt sur le revenu des personnes physiques), est plus modéré que celui proposé par la C.G.T.: dans chaque part du revenu global (le nombre de parts variant selon la situation familiale du contribuable), la fraction comprise entre o et 1.500 S. est exonérée (abattement à la base), la fraction comprise entre 1.501 et 2.500 S. n'est taxable qu'à concurrence de 50 %, la fraction supérieure à 2.500 S. est imposable en sa totalité; le taux est de 30 %; le montant de l'impôt est égal à l'imposition d'une part multiplié par le nombre de parts (Il s'agit donc d'une modalité de la progressivité par tranches, connue dans la technique fiscale sous le nom de progressivité indirecte, où la progressivité affecte le revenu et non le taux qui est apparemment proportionnel). Il existe toutefois deux régimes spéciaux, l'un, plus favorable pour les revenus salariés (où le taux progressif est encore plus modéré), l'autre, plus défavorable pour les revenus mobiliers où l'impôt, devenant effectivement proportionnel en même temps que réel (le système du quotient familial ne jouant pas à l'égard des revenus mobiliers, il n'y a plus ni division du revenu en parts ni division de la part en tranches), est de 30 %.

La contribution sur les affaires s'analyse, comme dans le projet de la C.G.T., en un impôt indirect au sens économique. Mais elle est, par sa technique, très différente de celle proposée par la C.G.T. Dénommée „impôt sur les matières de base et les sources d'énergie", elle frappe le prix de vente de ce qu'on appelle les „matières premières" nationales ou étrangères (auxquelles sont assimilés les produits finis ou demi-finis importés), à l'exception des produits agricoles. C'est donc un impôt à la production dans l'acception économique du terme (le projet contient, à titre indicatif, une liste des matières premières imposables). Le taux, proportionnel, serait de 30 %.

Ces deux grandes contributions — impôt sur le revenu et „taxe" sur les affaires — sont l'essentiel de la fiscalité étatique. A côté d'eux, le projet maintient, à titre de contributions supplémentaires perçues au profit de l'Etat, non pas des impôts directs (l'impôt sur le revenu serait le seul impôt direct) mais les diverses catégories d'impôts indirects: droits de timbre; contributions indirectes *stricto sensu* (spécialement l'impôt sur les alcools); droits d'enregistrement (notamment les droits sur les mutations à titre onéreux et à titre gratuit) dont, toutefois, le projet prévoit la simplification et l'allége-

ment (par diminution du nombre des impôts et par réduction des tarifs).

Non content de réformer la fiscalité étatique, le projet réforme également la fiscalité locale en distinguant les taxes proprement dites (rémunérations de services rendus) qu'il maintient (sous cette récerve que chacune ne doit plus couvrir que le prix de la dépense du service) et les impôts qu'il remanie. Ceux-ci seraient au nombre d'une dizaine dont voici les quatre plus importants: trois consistent en contributions additionnelles respectivement à l'impôt étatique sur le revenu, à l'impôt étatique sur les affaires et aux droits étatiques d'enregistrement sur les mutations à titre onéreux; un, l'impôt d'habitation, substitué à la contribution mobilière, s'analyse en impôt autonome.

Le projet s'efforce enfin, pour tous les impôts — étatiques et locaux — de prévenir et de réprimer la fraude. La prévenir: par un allégement de la charge fiscale afin d'enlever aux „tricheurs" l'excuse de la dissimulation qu'ils trouvent dans l'exagération de la pression fiscale, et par l'aménagement technique des impôts (notamment dans l'impôt sur les affaires où le contrôle serait facilité par le petit nombre des personnes imposables). La réprimer: par un renforcement des sanctions (le projet prévoit une échelle des pénalités) lesquelles seraient d'autant plus sévères pour les infractions de l'avenir qu'elles ne s'appliqueraient pas aux contraventions du passé, car le projet prévoit une amnistie générale des fraudes antérieures, ce qui est une idée excellente.

Il y a en effet beaucoup de bonnes choses dans le projet commun de la C.G.C. et de la C.G.E. Davantage même que dans le projet de la C.G.T. Si les deux projets présentent un caractère commun — celui de la simplification de la fiscalité — le projet commun de la C.G.E. et de la C.G.C. s'inspire, quant à la pression des impôts d'une tendance générale assez opposée à celle du projet de la C.G.T., puisqu'il adopte une „fiscalité liberale" (entendez, par là, moins autoritaire). Selon ses auteurs, il s'agit d'orienter la fiscalité moins vers la réalisation de fins économiques (ils sont partisans, dans le domaine de l'économie, d'un néo-libéralisme limité par un contrôle étatique) que vers le financement des dépenses publiques dont ils réclarement d'ailleurs une réduction sensible. Et si, du point de vue social, ils prônent, comme les rédacteurs du projet da la C.G.T., le principe d'une égalité de sacrifice devant l'impôt, ils veulent le combiner avec deux autres principes: celui de l'allégement de la charge fiscale et celui d'une restauration de la „hiérarchie" sociale (c'est la revendication favorite de la Confédération générale des Cadres). Et cela les conduit à ces solutions qui nous paraissent satisfaisantes: rejet de l'impôt sur le capital et modération, quant à la progressivité, de l'impôt sur le revenu. Une autre préoccupation

générale les oppose encore aux auteurs du projet de la C.G.T.: celle de donner la préférence, du moins dans la fiscalité étatique, aux impôts indirects sur les impôts directs au sens économique (critère de l'incidence) de cette traditionnelle distinction. Car, tandis que dans le projet de la C.G.T., l'impôt sur le revenu et l'impôt sur la fortune semblent jouer un rôle aussi important que l'impôt sur les affaires, dans le projet commun dela C.G.C. et de la C.G.E. l'impôt sur les affaires paraît être „la bête de somme" du budget de l'Etat (ce qu' expliquent le rejet de la taxation du capital et la modération de l'imposition du revenu). Pourquoi? Parce qu'aux yeux de ses auteurs les impôts indirects seraient supportés moins difficilement — on retrouve l'anesthésie fiscale (v. supra, cette Revue, 1949, p. 133) — que les impôts indirects. Et aussi parce que l'impôt sur les affaires, tel que le voient ses créateurs, est d'une technique simple, ce qui nous semble d'ailleurs exact pour autant qu'une contribution puisse n'être pas complexe! Ce qui est certain, c'est qu'ils ne veulent pas faire de cet impôt sur les affaires une contribution „réactionnaire" en ce sens qu'elle serait progressive à rebours (elle frapperait davantage le pauvre que le riche et, à égalité de situation pécuniaire, davantage le père de famille que le célibataire). Car ils soutiennent — et nous pensons qu'ils ont raison — que cet impôt, tel qu'ils l'ont construit (et c'est, du point de vue technique la partie la plus originale de leur projet encore que la plus simple), ne ferait pas monter le coût de la vie mais qu'au contraire il le diminuerait spécialement pour les produits alimentaires. Supérieur en apparence aux taux cumulés des „taxes" sur le chiffre d'affaires, le tarif de cet impôt serait en réalité inférieur parce qu'il remplacerait non seulement les „taxes" sur le chiffre d'affaires mais encore les contributions indirectes *stricto sensu* à l'exception de l'impôt sur les alcools. Et, en raison de l'exonération totale des produits agricoles, les denrées alimentaires échapperaient complètement à l'impôt. Mais le rendement de l'impôt ne serait-il pas, de ce double fait, moindre que celui des contributions auxquelles il serait substitué? Non, puisque le contrôle de l'impôt d'ailleurs renforcé et sanctionné, serait extrêmement facilité par la réduction sensible du nombre des contribuables légaux, de sorte que la fraude, aujourd'hui considérable (notamment dans les „taxes" sur les chiffre d'affaires où pullulent les ventes sans facture), serait très réduite. Encore faut-il, pour que la lutte contre la fraude devienne efficace, que les administrations fiscales soient réorganisées. Or, à cet égard, le projet commun de la C.G.C. et de la C.G.E. est muet. On y trouve en effet des insuffisances, des lacunes voire même des contradictions. Des insuffisances: ainsi les dispositions relatives à la fiscalité locale sont trop sommaires. Des lacunes: il n'y a rien ni

sur les régies ni sur le contentieux ni sur la codification. Et le projet, comme celui de la C.G.T., ne traite guère le mal de la mobilité de la législation. Des contradictions enfin: par exemple, dans l'impôt sur le revenu dont l'unité est d'ailleurs plus théorique que pratique (car cet impôt se subdivise en fait en deux contributions — l'une proportionnelle et réelle, sur les personnes morales et l'autre, progressive et personnelle, sur les personnes physiques-sinon même en trois puisque, s'agissant des revenus mobiliers qui obéissent à une régime spécial dans le cadre de la contribution des personnes physiques, celle-ci devient également proportionnelle et réelle), le taux de 30 % sur les revenus mobiliers des personnes physiques et celui de 35 % sur le revenu global des personnes morales ne se concilient guère avec la tendance générale, mise en relief par les auteurs du projet, d'un allègement sensible de la charge fiscale. D'autant que les tarifs sont plus lourds que ceux établis sur les mêmes revenus par la réforme gouvernementale de 1948.

Afin de corriger ces défauts, la C.G.C. et la C.G.E. étudient actuellement d'importantes modifications à leur projet commun. Cela en tenant compte de la réforme gouvernementale et de nos propositions personnelles.

§ 2 - *Nos propositions personnelles*

Deux problèmes d'une importance capitale commandent, selon nous, la réforme fiscale car l'orientation de celle-ci dépend de la solution de ceux-là: d'abord, quels intérêts une réforme fiscale doit-elle prendre en considération? Ensuite, faut-il lier la réforme fiscale à une réforme financière et même à une réforme économique?

Contrairement à de nombreux projets qui mettent l'accent, les uns sur les intérêts du Trésor les autres sur les intérêts d'une catégorie, d'ailleurs variable, de contribuables, nous estimons qu'une réforme fiscale doit, sous peine d'être vouée à l'échec, s'efforcer de concilier au maximum les intérêts, opposés mais également respectables, du Trésor et des contribuables — de tous les contribuables et non pas de telle ou telle catégorie d'entre eux.

A la différence de la plupart des projets qui envisagent isolément la réforme fiscale, il nous paraît impossible de faire cette dernière sans la situer dans le cadre, plus large, d'une réforme financière et même d'une réforme économique. Car la réforme fiscale n'est pas, à elle seule, un „tout". La fiscalité s'emboîte dans les finances qui, elles-mêmes, s'emboîtent dans l'économie. Or, du point de vue économique et du point de vue financier, notre opinion, fondée sur les données de l'expérience, est nette. Seul, un nouveau libéralisme, pratiqué dans tous les secteurs, peut rendre vie et santé à

notre économie moribonde. Il ne s'agit pas de la „restauration" de l'ancien libéralisme. Il s'agit de la création d'un „néo-libéralisme" avec contrôle de l'Etat afin d'éviter que les économiquement forts n'oppriment les économiquement faibles. Les conséquences d'un tel libéralisme seraient, outre le développement progressif de la production et de la consommation, la renaissance, non moins progressive, de l'épargne. C'est dans cette direction que s'oriente, après les années de guerre et de l'après guerre, l'économie française. Sans doute cette orientation est-elle encore timide. Et elle s'accompagne de tâtonnements voire de contradictions. Mais elle a déjà amorcé la prospérité économique. Et dans le domaine économique, les faits ont prouvé que le libéralisme — quand il n'est pas synonyme d'anarchie — condamne, par ses résultats, l'„autoritarisme". Il est donc nécessaire de persévérer, avec unité de pensée et d'action, dans la voie tracée. Et, notamment, il faudra, bon gré mal gré, trancher résolûment la question cruciale des „nationalisations". Non seulement par arrêt de nouvelles nationalisations mais encore par destruction d'anciennes nationalisations — relativement anciennes puisqu'elles datent, pour la plupart, du lendemain de la seconde guerre mondiale. Il nous paraît souhaitable de rendre au secteur privé sinon les entreprises publiques à caractère „monopolistique", du moins les entreprises publiques à caractère „concurrentiel". Et, spécialement, il est indispensable de supprimer la nationalisation du crédit qui n'est d'ailleurs pas encore totale car, l'économie dépendant entièrement du crédit, l'étatisme bancaire est absolument incompatible avec le libéralisme économique. Encore le maintien définitif d'entreprises nationalisées devrait-il être subordonnée à une condition *sine qua non:* il faudrait exiger d'elles, sinon qu'elles réalisent des bénéfices, du moins qu'elles équilibrent leurs dépenses (y compris les impôts) avec leurs recettes d'exploitation. Pareille politique économique aurait, pour conséquence financière, de réduire les dépenses publiques. Il faut en effet, comme l'a proposé récemment l'O.E.C.E. (Organisation européenne de coopération économique), diminuer sensiblement les dépenses, tant en matériel qu'en personnel, des collectivités publiques (Etat, départements, communes), quitte à sacrifier, selon la situation internationale, tantôt les dépenses militaires aux dépenses civiles tantôt au contraire les dépenses civiles aux dépenses militaires. Car c'est une idée, à la fois fausse et dangereuse, que celle selon laquelle l'Etat et ses „satellites" doivent toujours augmenter les dépenses sous prétexte qu'ils peuvent toujours trouver des recettes, conception qui, devenue „dogme", conduit sur le plan budgétaire, à fixer les dépenses avant les recettes. La réduction des dépenses devrait s'accompagner d'une stabilisation de la monnaie car, selon nous, il n'est point de réforme possible, dans le domaine fiscal, sans

une certaine permanence de la valeur monétaire. Et, par le restauration de la confiance — ce moteur psychologique de la vie sociale comme de la vie individuelle — ces mesures permettraient la suppression de l'inflation (à cet égard, il conviendrait de rendre à la Banque de France une large indépendance en lui conférant l'autonomie constitutionnelle) et un recours plus massif aux emprunts. Ceux-ci, dont le service (paiement des intérêts et amortissement du capital) serait entièrement confié à la Caisse de la dette dont l'autonomie constitutionnelle serait rétablie (la Constitution de 1946 n'a pas maintenu l'indépendance de cette caisse qu'avait reconnue, lors de la réforme constitutionnelle de 1926, date de la création de la Caisse, la Constitution de 1875) et dont les ressources permanentes seraient constituées non pas seulement, comme aujourd'hui, par le rendement d'un monopole „fiscal" mais aussi, comme autrefois, par l'impôt sur les successions, auraient pour objet de financer, dans le cadre de la distinction du budget „ordinaire" et du budget „extraordinaire", les dépenses du budget extraordinaire (dépenses militaires de la défense nationale-dépenses civiles de la reconstruction nationale: peut-on espérer qu'une paix mondiale fera disparaître cette stupidité humaine et, plus spécialement gouvernementale, qui consiste à dépenser successivement pour détruire et pour reconstruire!) de sorte que les impôts — en dehors de ceux affectés au service de la dette — serviraient à financer les dépenses du budget ordinaire.

C'est dans le cadre de cette double réforme économique et financière — et qui ne voit qu'elles sont, toutes deux, également politiques? — que nous recherchons, selon la méthode de l'allopathie (et non de l'homéopathie!) les remèdes aux quatre maux dont souffre encore, en dépit de la réforme gouvernementale de 1948—1950, la fiscalité française. Et, pour nous, la réforme fiscale sera ou ne sera pas — to be or not to be — selon qu'il y aura ou non une „révolution fiscale", car pour reprendre le mot de Calonne à Louis XVI (en un sens, nous sommes à la veille de 1879), il faut reconstruire entièrement la maison des impôts. Puisque la législation fiscale est trop complexe, qu'elle est trop mobile, que la charge fiscale est trop inégale (ce qui provoque à la fois la lourdeur du poids des contributions et l'insuffisance de leur rendement) et qu'enfin, quoique dans une moindre mesure, la créance fiscale est recouvrée trop tardivement comme trop massivement, il faut, sans hésitation, simplifier le régime fiscal, mettre, en droit et en fait, plus d'égalité entre les contribuables, accélérer le recouvrement fractionné des impôts, enfin stabiliser la législation ainsi remaniée.

La réforme de structure que nous proposons porterait sur tous les compartiments — non étanches — de la fiscalité tant locale

qu' étatique: impôts-administrations-recouvrement-contentieux-législation. Ne soyez pas surpris de n'y point trouver la rubrique „fraude", car, selon nous, la lutte contre l'évasion et, spécialement, contre la fraude dépend essentiellement du régime des impôts et du statut des administrations. Ce sont ces „cinq points"-comme dans les programmes américains! — que nous allons examiner successivement en les reliant les uns aux autres et en retenant ce qu'il y a de „bon" dans la réforme gouvernementale de 1948—1950.

A - IMPÔTS

Nous sommes partisan d'un système fiscal ne comprenant que quelques impôts se répartissant en contributions étatiques et en contributions locales.

Nous sommes hostile à la création d'impôts permanents sur les capitaux, qu'il s'agisse d'une contribution sur le capital global (impôt sur le patrimoine) ou d'impôts sur des capitaux spéciaux (en dehors des droits d'enregistrement sur les mutations). Cette hostilité ne procède en rien d'une pensée ou d'une arrière-pensée politique. Elle se justifie uniquement par des arguments financier et économique. Raison d'ordre économique: la taxation du capital est incompatible avec le développement du „néo-libéralisme" économique qui exige la reconstitution d'une épargne créatrice. Raison d'ordre financier. De deux chose l'une en effet. Ou bien l'on frappe lourdement le capital. Et la taxation du capital est alors nuisible. Car c'est réduire sensiblement les revenus et, en conséquence, c'est selon la formule „l'impôt dévore l'impôt", tarir le rendement à la fois des impôts sur les revenus (puisque le capital est source de revenus) et même de l'impôt sur le capital (puisque les revenus sont, à leur tour et par le mécanisme de l'épargne, source du capital). Ou bien l'on atteint légèrement le capital. Et la taxation du capital est alors inutile puisque l'impôt sur le capital se transforme en un super-impôt sur les revenus qu'il est plus simple de remplacer par une faible augmentation des contributions sur les revenus. Les avantages de l'impôt sur le capital cèdent devant cette alternative. Ces avantages sont-ils d'ailleurs réels? Nous ne le croyons pas. Et nous n'avons nullement été convaincu par l'argumentation, cependant remarquable du Professeur Morange (v. son article, déjà cité, Revue de science et de législation financières, 1948, p. 71 et s.) et des auteurs du projet de la C.G.T. L'impôt sur le capital serait-il, comme ils le prétendent, complémentaire des impôts sur les revenus en ce sens qu'il permettrait de compenser les dissimulations de revenus? Mais cela suppose — et c'est ce qu'ils soutiennent — que l'impôt sur le capital serait un excellent moyen de contrôle précis des revenus? Or, il ne peut pas l'être. Car il est impossible de

recenser l'or et même les billets de banque. On ne pourrait pas, sans porter un coup mortel à la monnaie, procéder périodiquement à des opérations d'échange des billets. Celles-ci seraient d'autant plus dangereuses que, par leur régularité exclusive d'un effet de surprise, elles pousseraient les contribuables, et surtout les gros contribuables c'est-à-dire ceux que l'on voudrait précisement atteindre, à transformer, à l'avance et en quantités massives, les billets en or. Ainsi l'impôt permanent sur le capital serait un excellent procédé non de contrôler les revenus mais de ruiner la monnaie. Et — vous le savez déjà — il est impossible de construire une fiscalité solide sans la stabilité monétaire. C'est uniquement à titre très temporaire, dans des circonstances fort exceptionnelles, que l'impôt sur le capital pourrait, à la rigueur, être institué. A la rigueur, car nous ne préconisons pas cet „expédient" non seulement parce que nous condamnons, d'une manière générale, la création de contributions temporaires, mais encore parce que l'expérience, faite en 1945, d'un impôt temporaire sur le capital (v. supra, cette Revue, 1949, p. 127), dont l'institution a nécessité une opération exceptionnelle d'échange des billets, a été, en définitive, des plus malheureuses à tous égards. Nous rejetons donc les impôts sur les capitaux, à titre permanent et même à titre temporaire. Et nous les écartons d'autant plus que nous acceptons la taxation de l'„enrichissement" soit dans le cadre d'impôts spéciaux sur des capitaux (il s'agit des impôts sur les successions et sur les donations) soit dans le cadre des impôts généraux sur les revenus.

1°. *La fiscalité étatique* serait constituée par des impôts directs sur les enrichissements (ou sur des revenus, car, pour nous, revenu = enrichissement) et par des impôts indirects sur les dépenses. La distinction entre ces deux catégories de contributions obéirait au critère de l'incidence de droit et non pas de l'incidence de fait. Les impôts indirects seraient donc, à la différence des impôts directs, les contributions soumises à l'incidence de droit, c'est-à-dire à la répercussion voulue par le législateur fiscal. Il est en effet impossible de fonder la distinction sur l'incidence du fait, c'est-à-dire sur la répercussion non voulue par le législateur car — comme l'a expliqué Pierre Tissier, Conseiller d'Etat et ancien directeur général des impôts, dans la préface de notre livre sur la „Réforme fiscale" — ce qu'on sait de l'incidence de fait, par ailleurs phénomène mystérieux dont on ignore le mécanisme (on ne sait pas, à l'avance, avec certitude, dans quels cas ni dans quelle mesure elle jouera), c'est qu'elle peut s'appliquer à tous les impôts.

Quelle serait l'importance respective (quant au rendement) des impôts indirects et des impôts directs ainsi définis? Nous estimons qu'à cet égard les impôts indirects devraient être plus importants

que les impôts directs: à titre indicatif, la proportion serait de 60 % pour les premiers contre 40 % pour les seconds. Cette solution se justifie par une raison financière: les impôts indirects sont perçus plus facilement que les impôts directs. Avantage pour le Fisc et même pour les redevables qui sont moins sensibles aux contributions indirectes qu'aux contributions directes. Grâce à l'incidence de droit qui, incorporant les impôts indirects dans les prix de vente des marchandises, en transfère la charge des contribuables apparents (commerçants) sur les contribuables réels (consommateurs), ceux-ci, quand ils achètent un produit industriel ou une denrée alimentaire, ignorent souvent qu'ils paient ainsi des contributions et, en tout cas, ne savent jamais (à l'exception des spécialistes) le montant des contributions qu'ils acquittent ainsi. L'expérience prouve au contraire que les impôts directs, parce qu'ils figurent nettement et même brutalement dans une „note", paraissent aux contribuables plus lourds encore qu'ils ne le sont. Sans doute, objectivement, la charge fiscale est-elle identique: que, sur 100 francs d'impôts, le redevable paie 60 d'impôts indirects et 40 francs d'impôts directs ou 40 francs d'impôts indirects et 60 francs d'impôts directs, le résultat est pécuniairement le même. Mais subjectivement, elle ne l'est pas. Et, dans le domaine fiscal, il existe une psychologie des contribuables qu'il ne faut pas négliger. Vainement objecterait-on, contre cette prédominance des impôts indirects, qu'ils élèveraient les prix et frapperaient les „pauvres". Car ces inconvénients ne sont aucunement de l'essence des impôts indirects. Et leur disparition dépend de l'aménagement technique des impôts indirects comme des impôts directs. Il suffit que les taux de toutes les contributions, directes comme indirectes, soient modérés. Il suffit qu'en matière d'impôts indirects, les denrées alimentaires d'indispensable nécessité (telles que le pain et la viande) ne soient, au moyen de tarifs exceptionnels inférieurs au taux principal, que faiblement taxées. Il suffit que, par les procédés de „personnalisation" de l'impôt, les contributions directes soient adoucies en fonction de la situation pécuniaire et de la situation familiale des petits contribuables lesquels profitent en outre d'avantages sociaux (par exemple, allocations familiales).

Réserve faite du maintien des monopoles „fiscaux" dont les recettes seraient considérées non plus comme des impôts indirects, mais comme — ce qu'ils sont techniquement — des revenus domaniaux (catégorie de ressources distinctes des impôts), les contributions indirectes seraient constituées par trois sortes d'impôts: des impôts sur les affaires extérieures (droits de douane) et deux impôts sur les affaires intérieures à savoir un impôt général sur les productions et, à titre complémentaire, un impôt général sur les alcools.

Tels qu'ils ont été réorganisés par le décret-loi du 8 décembre

1948, les vieux droits de douane — impôts sur les affaires extérieures — seraient conservés comme une catégorie spéciale d'impôts indirects Encore ne seraient-ils maintenus que provisoirement, car l'évolution du commerce international conduira inéluctablement à leur condamnation: tôt ou tard, ils subiront le sort qu'ont déjà subi, avec l'évolution du commerce national, les douanes intérieures qui, autrefois, divisaient les provinces et qui, hier encore, séparaient les villes (la réforme de 1948 a supprimé les rares octrois qui existaient encore).

Les principaux impôts indirects seraient donc les deux contributions sur les affaires intérieures: l'impôt général sur les productions et, à titre complémentaire, l'impôt spécial sur les alcools.

Le nouvel impôt général sur les productions ne serait autre, dans ses grandes lignes, que celui construit par le projet commun de la C.G.C. et de la C.G.E. (nous n'y insisterons donc pas) avec toutefois une correction: les produits agricoles en seraient passibles au taux exceptionnel de 5 %.

A lui s'ajouterait l'impôt spécial sur les alcools qui serait maintenu mais allégé dans ses tarifs: ceux-ci, qui appartiennent au type des taux „fixes" selon les liquides alcooliques, s'étaleraient entre 3.000 et 30.000 francs par hectolitre d'alcool pur (le minimum et le maximum des tarifs actuels atteignent presque le double de ces sommes).

Les impôts directs seraient au nombre de trois contributions sur les revenus ou sur les enrichissements dont deux générales — l'impôt sur le revenu des personnes physiques et l'impôt sur le revenu des personnes morales — et une spéciale — l'impôt sur les successions et les donations — qui serait complémentaire de l'impôt sur le revenu des personnes physiques.

L'impôt général sur le revenu des personnes physiques se différencierait de la contribution du même nom instituée en 1948. Cet impôt serait — si vous nous permettez cette audacieuse formule — plus uniquę: il ne se subdiviserait pas en une „taxe" et en une „surtaxe". Cet impôt serait plus général, sinon à l'égard des contribuables (car seules les personnes physiques y seraient assujetties, à l'exception des personnes morales), du moins vis-à-vis des revenus: il frapperait le revenu global brut. Quelques précisions sur ce point. Le revenu serait global en un double sens. Il serait global en ce sens qu'il contiendrait tous les profits en „nature" (lesquels seraient évalués en monnaie) et tous les gains en „argent" qui auraient été réalisés par le contribuable pendant l'année à l'exception de ceux provenant des donations et des successions qui resteraient soumis à un impôt spécial. Ainsi — et sous cette seule réserve — seraient imposés tous les bénéfices proprement dits y compris les plus-values qui se traduiraient par de véritables recettes. Vainement objecterait on contre cette nouveauté — à savoir l'imposition du montant intégral de toutes les plus-values

— qu'elle alourdirait la charge fiscale et qu'elle atteindrait des gains fictifs. Il est en effet erroné de soutenir — comme on le prétend souvent — que les plus-values qui s'analysent en des gains exceptionnels, ne doivent pas être traités de la même manière que les bénéfices professionnels, qui s'analysent en des profits habituels, sous prétexte qu'elles proviendraient des dépréciations monétaires de sorte qu'elles seraient „nominales". Car, outre qu'elles ne résultent que partiellement de l'avilissement de la monnaie — elles ont également d'autres causes, étrangères ou non à la volonté du contribuable (situation de l'économie-talent du contribuable) — les dépréciations monétaires gonflent, tout autant, les revenus ordinaires par suite de la hausse des prix qu'elles entraînent en général. Si l'on y réfléchit, on constate donc qu'il n'existe aucune raison — digne de ce nom — en faveur d'un traitement privilégié (exonération totale ou partielle) des plus-values. Vous remarquerez d'ailleurs que les plus-values dont nous parlons sont uniquement les plus-values dites réalisées (c'est-à-dire les augmentations de valeur du patrimoine qui, à la suite de cessions, se traduisent en recettes) à l'exclusion des plus-values dites acquises, lesquelles ne seraient donc pas imposées. Le revenu serait encore global en ce sens qu'il ne serait plus divisé, pour sa détermination, en catégories de revenus dont la distinction, outre qu'elle est arbitraire (on constate en effet que la législation déplace continuellement les frontières entre les cédules des revenus), deviendrait inutile puisque le revenu global contiendrait tous les profits se traduisant par des recettes. Et le revenu global imposable serait du revenu brut et non plus du revenu net (au sens technique de ces adjectifs): des recettes annuelles nu seraient donc plus déduites les dépenses annuelles „effectuées pour l'acquisition et la conservation" du revenu global. Le revenu global brut serait entièrement soit réel soit forfaitaire et non plus partiellement réel et partiellement forfaitaire. En effet, pour chaque contribuable, l'évaluation du revenu global brut pourrait donner lieu à deux opérations successives: d'abord déclaration du contribuable laquelle, produite dans un délai de deux mois à compter du Ier janvier de l'année suivant celle de l'acquisition des revenus, indiquerait le montant de ceux-ci (procédé d'évaluation réelle); ensuite, et seulement dans deux cas — absence de déclaration dans le délai; désaccord, sur le chiffre contenu dans la déclaration, entre le Fisc et le contribuable — intervention d'une commission qui, composée de représentants, en nombre égal, des deux „parties" et présidée par un magistrat, fixerait le revenu global brut lequel ne pourrait être inférieur à la somme résultant de l'application du barême légal des signes extérieurs de richesse (nous conserverions donc, en l'adaptant ainsi, ce procédé qui existe actuellement dans la surtaxe progressive comme il existait autrefois dans l'impôt

général). Ces solutions relatives à l'imposition sur la base d'un revenu global brut-calculé entièrement soit selon le procédé de l'évaluation réelle à titre principal soit selon le procédé de l'évaluation forfaitaire à titre subsidaire — auraient selon nous le double avantage de la simplicité et de l'égalité. Car, outre qu'elles diminueraient considérablement la complexité de la réglementation fiscale, elles réduiraient sensiblement l'inégalité de la charge fiscale provenant de l'évasion et de la fraude, notamment par l'identité entre matière imposable et revenu brut. L'expérience ne démontre-t-elle pas en effet que — comme l'ont expliqué, lors de la Réforme fiscale, certains parlementaires qui avaient proposé l'imposition sur la base du revenu brut — que l'imposition sur la base du revenu net facilite considérablement la fraude en permettant aux contribuables de majorer ce qu'on appelle techniquement les „charges" c'est-à-dire les dépenses déductibles? En vain prétendrait-on que le procédé du revenu brut aggraverait la charge fiscale. Car, outre que nous laissons au contribuable la faculté de prouver à l'aide de se comptabilité, qu'il a subi un déficit (à cet effet, mais à cet effet seulement, la législation fixerait la liste et le régime des charges), il ne faut pas oublier que les taux de l'impôt sur le revenu des personnes physiques — tel que nous l'envisageons — seraient modérés puisqu'il contiendrait, non pas deux tarifs superposés (la „taxe" proportionnelle serait en effet supprimée) mais un seul tarif qui, par rapport à celui de la „surtaxe" progressive, serait adouci. Cet impôt serait en effet moins progressif. Il s'agirait, comme actuellement, d'une progressivité du taux par tranches de revenus (sur le régime actuel, v. Notre article, La Réforme fiscale-Impôts directs, Semaine juridique 1949-I-766 et 797). Mais les tranches, plus rares, seraient élargies et leurs taux réduits: 5 % pour la tranche inférieure à 500.000 francs; 10 % pour la tranche comprise entre 500.000 et I million; 15 % pour la tranche comprise entre 1 million et 2 millions; 20 % pour la tranche comprise entre 2 et 3 millions; 25 % pour la tranche comprise entre 3 et 4 millions; 30 % pour la tranche supérieure à 4 millions (sans distinguer, dans la dernière et l'avant-dernière tranches, entre les contribuables). Enfin, cet impôt serait plus personnel. Sans doute, le procédé du quotient familial, qui existe dans la surtaxe progressive comme il existait dans l'impôt général (sur le régime actuel v. notre article, La Réforme fiscale-Impôts directs, Semaine Juridique, 1949-I-766 et 797), serait-il maintenu, de sorte que le revenu global serait divisé en parts dont le nombre varierait selon la situation de famille du contribuable, la famille „fiscale" restant composée de la femme et des enfants à charge. Sans doute encore le tarif progressif — tel que nous l'avons proposé — continuerait-il à s'appliquer séparément sur chaque part, ce qui — vous le savez — atténue la

rigueur de la progressivité. Mais — et précisément afin de l'adoucir encore davantage — le nombre des parts serait augmenté: outre une part pour lui-même, le contribuable aurait droit à une part pour la femme et à une part pour chaque enfant à charge. Par exemple, deux parts au contribuable marié sans enfant à charge au contribuable célibataire ou assimilé (veuf ou divorcé) ayant un enfant à charge. Seul — et nécessairement — le régime du contribuable célibataire ou assimilé (divorcé, veuf) sans enfant à charge ne serait pas modifié: comme actuellement ce contribuable n'aurait droit qu'à une part. Toutefois, serait supprimé l'abattement de 120.000 francs qui joue actuellement sur chaque part au profit de tout contribuable quelque soit le chiffre du revenu global. Il serait remplacé par une exonération de 360.000 francs réservée aux contribuables dont le revenu global ne dépasserait pas cette somme: cette exonération serait la traduction fiscale, à la fois équitable et logique, du „minimum vital". Et la législation actuelle qui voit celui-ci dans un abattement généralisé est injuste et stupide car 120.000 ce n'est pas assez pour les „pauvres" et c'est trop pour les „riches" à l'égard desquels le „minimum vital" n'a aucun sens.

L'impôt sur le revenu des personnes morales ressemblerait davantage à la contribution du même nom instituée par la réforme fiscale de 1948-1950. Il ne s'en distinguerait que par trois points. Le revenu global brut des personnes morales serait déterminé dans les mêmes conditions que le revenu global brut des personnes physiques; la principale différence entre les deux impôts sur le revenu des personnes morales — l'actuel et le futur — consisterait donc en ce que le futur impôt frapperait du revenu brut et non plus du revenu net, car l'actuel impôt, outre qu'il est unique, atteint déjà un revenu global qui n'est pas divisé, pour son calcul, en catégories de revenus. Son taux resterait proportionnel mais serait adouci: 15 % au lieu de 34 %. Enfin, du montant de cet impôt, il n'y aurait plus lieu à déduction de l'impôt sur le revenu des personnes physiques déjà acquitté, sur les revenus mobiliers, par les personnes morales puisque celles-ci ne serait jamais assujetties à „notre" impôt sur le revenu des personnes physiques.

A cet impôt général sur le revenu des personnes morales ne s'ajouterait, à titre complémentaire, aucune contribution spéciale (pas de „taxe" sur les bénéfices non distribués des sociétés). Pourquoi? parce que nous sommes hostiles à la double imposition au sein de la fiscalité de l'Etat. Or le revenu global qui serait soumis à l'impôt général sur le revenu des personnes morales contiendrait tous les profits réalisés par les personnes morales.

En revanche, à l'impôt général sur le revenu des personnes

physiques, s'ajouterait, à titre complémentaire, l'impôt spécial sur les successions et les donations qui, de droit d'enregistrement, deviendrait un impôt direct. Pourquoi le rattacher à l'impôt général sur le revenu des personnes physiques sans toutefois l'y intégrer? C'est — et voici qui explique le rattachement — parce que l'impôt général sur le revenu des personnes physiques serait bâti sur la théorie de l'enrichissement réel: or, les donations et les successions s'analysent en des enrichissements réels. C'est également — et voici qui explique la non-intégration — parce que les successions et les donations sont des enrichissements réels provenant de mutations à titre gratuit, tandis que tous les autres enrichissements réels résultent d'opérations à titre onéreux: en un sens, les dons et les héritages sont, de tous les enrichissements, les plus complets d'autant que l'activité du contribuable y est étrangère. Cette seconde raison explique que cet impôt spécial serait plus lourd que l'impôt général sur le revenu des personnes physiques. Dans ses grandes lignes, cet impôt spécial serait identique à l'actuel droit d'enregistrement sur les mutations à titre gratuit (sur le régime actuel, v. Jean Michel et Maxime Chrétien, Droit fiscal, Encyclopédie Clartés, volume 12). Toutefois, il s'en différencierait à deux égards. Première différence: seules les personnes physiques y seraient soumises. Les personnes morales en seraient exonérées. Pourquoi? parce que les personnes morales qui bénéficient de dons ou de legs sont uniquement celles des collectivités (publiques ou privées) dont l'activité est „désintéressée" (au sens matériel du mot): établissements de bienfaisance..... Or, en raison de l'objet même de ces collectivités, les dons et les legs qu'elles reçoivent ne se traduisent pas en des enrichissements proprement dits. Cette exonération permettrait-elle une fraude consistant à consentir des dons et des legs à des personnes physiques par l'interposition de personnes morales? Non, puisque les dons et les legs consentis à des personnes morales sont et demeureraient soumis au contrôle étatique (il faut une autorisation de l'Etat — nul n'ignore qu'on ne donne et qu'on ne lègue guère à l'Etat lui-même! — pour qu'une personne morale puisse accepter des dons et des legs). Remarquons d'ailleurs que, dans la législation actuelle, les personnes morales bénéficient déjà d'un traitement préférentiel qui se manifeste soit par une exonération de l'impôt soit par un tarif de faveur (qui, ordinairement, est un taux proportionnel de 14 %). Deuxième différence: l'impôt serait d'une progressivité moins complexe et moins rigoureuse. Car les tranches (c'est, ici encore, le système de la progressivité par tranches) seraient élargies et les taux réduits, non seulement quant à leur pourcentage mais encore quant à leur nombre: pour chacune des tranches (six et non plus huit), au lieu de sept taux (variables selon le lien de parenté de l'héritier avec

le défunt et lorsque l'héritier est un proche du défunt — descendant, ascendant, époux — selon le nombre d'enfants laissés par le défunt) il n'y aurait plus que deux taux (selon que l'héritier serait ou non un parent, la parenté, sur le plan fiscal, étant limitée au conjoint et à la ligne directe, à l'exclusion de la ligne collatérale). Voici quel serait le tableau de la progressivité: 6 % (parent) et 18 % (étranger) sur la tranche inférieure à 500.000 francs; 12 % et 14 % sur la tranche comprise entre 500.000 et 1 million; 17 % et 19 % sur la tranche comprise entre 1 million et 2 millions; 22 % et 24 % sur la tranche comprise entre 2 millions et 3 millions; 27 % et 29 % sur la tranche comprise entre 3 et 4 millions; 30 % et 32 % sur la tranche supérieure à 4 millions. Précisons que ces tranches concerneraient, comme actuellement, les biens recueillis par chaque héritier ou par chaque donataire car, et comme maintenant, ce que nous avons dit pour l'héritier vaut également pour le donataire (quand il s'agit de donations, il faut donc remplacer les mots „héritier" et „défunt" par les termes „donataire" et „donateur"). Troisième différence: il deviendrait un impôt direct. Ce serait d'ailleurs le seul survivant des droits d'enregistrement, car tous les autres seraient supprimés. Sans doute l'enregistrement des actes serait-il maintenu, du moins pour les actes présentant un intérêt indirect d'ordre fiscal c'est-à-dire pour les actes qui permettraient le contrôle des trois impôts directs sur les enrichissements. Mais cette formalité ne donnerait plus lieu à perception d'un droit: le Fisc exagère actuellement en faisant payer un impôt à l'occasion d'une formalité qu'il exige dans son intérêt. Les droits sur les mutations à titre onéreux disparaîtraient eux aussi. Car, pour les parties au contrat de vente — acheteur et vendeur — ils s'analysent en des impôts spéciaux sur des capitaux perçus à l'occasion d'une cession de biens. Et nous sommes hostile à toutes les formes de taxation des capitaux (lesquels, rappelons-le, ne contiennent pas les enrichissements), qu'elles soient „statiques" (possession de capitaux) ou „dynamiques" (transmission de capitaux). Or l'enrichissement du vendeur, c'est-à-dire la plus-value résultant de la cession, serait soumise soit à l'impôt sur le revenu des personnes physiques soit à l'impôt sur le revenu des personnes morales. La législation actuelle est critiquable, car dans la mesure où, au sein des deux impôts sur les revenus, elle frappe la plus-value de cession, elle aboutit en partie à une double imposition puisque les droits d'enregistrements sur les mutations à titre onéreux portent sur le prix de vente qui la plus-value.

2°. *La refonte des impôts locaux,* c'est-à-dire des contributions perçues au profit des départements et des communes, serait dominée par plusieurs principes au nombre de quatre. *Premier principe:* distinction des dépenses de l'Etat et des dépenses des collectivités

publiques locales. A l'heure actuelle, les départements et les communes doivent contribuer à certaines dépenses de services publics nationaux. Et, à l'inverse, l'Etat participe à quelques dépenses de services publics locaux. Cette situation est des plus anormales. Il faudrait qu'elle disparût. Il serait nécessaire que chaque collectivité publique — Etat, département, commune — supportât, entièrement et uniquement, les dépenses de ses propres services publics. Le projet gouvernemental de réforme de la fiscalité locale insiste, lui aussi, sur cette séparation des dépenses. Mais nous lui reprochons de ne la réaliser qu'incomplétement sur le motif erroné — car il est infirmé par la jurisprudence — que „le caractère national ou local des services publics n'est pas toujours nettement défini". Cette séparation tranchée serait, à notre avis, indispensable tant pour clarifier les dépenses publiques — et, en conséquence, les réduire car personne n'ignore que l'obscurité, dans la comptabilité publique, favorise la gabegie — que pour adapter les recettes publiques et notamment les impôts. *Second principe* — qui n'est aucunement en contradiction avec le premier — liaison étroite entre la fiscalité locale et la fiscalité étatique. Elle se manifesterait par l'existence, à côte d'impôts locaux indépendants, de contributions additionnelles aux impôts étatiques qui fourniraient aux départements et aux communes la majeure partie de leurs recettes fiscales. Cette liaison aurait, selon nous, un double avantage: d'une part, elle simplifierait aux administrations fiscales les travaux d'assiette et de recouvrement ce qui leur permettrait de consacrer plus de temps au contrôle et, par suite, de combattre davantage la fraude; d'autre part, elle obligerait les gouvernants (parlementaires et ministres) qui cumulent ordinairement un mandat électif national (celui de député ou de sénateur) et un mandat électif local (celui de conseiller départemental et de conseiller municipal) à ne pas modifier les contributions étatiques sans en mesurer les incidences sur les impôts locaux — et réciproquement, ce qui aurait pour effet d'atténuer la mobilité de la législation et la lourdeur des contributions (sans compter que le contribuable connaîtrait mieux le montant total des impôts qu'il paie à l'Etat, au département et à la commune). Pareille liaison est cependant rejetée par le projet gouvernemental de réforme de la fiscalité locale qui désire reconstruire celle-ci sur la base d'impôts indépendants des contributions étatiques. Mais les arguments qu'il donne ne nous paraissent point pertinents. Prétendre que le lieu (principale résidence pour la personne physique et siège social pour la personne morale) où l'impôt est établi — en disant sela, le projet vise les deux impôts sur les revenus créés en 1948 — ne coïnciderait pas avec le lieu où s'exerce la profession dont l'exploitation „impose" des charges aux collectivités locales, c'est oublier que

cette coïncidence n'est point rare en fait (la plupart des entreprises commerciales existent dans les grandes villes dont elles font précisément l'importance) et c'est confondre l'impôt proprement dit avec la taxe *stricto sensu* (rémunération d'un service) que le projet distingue par ailleurs. Affirmer qu'ajouter des impôts locaux à des impôts étatiques enlèverait à ceux-ci leur souplesse et aggraverait leur poids, c'est partir de ce postulat que les impôts étatiques doivent être mobiles et lourds. Or, précisément, nous écartons comme néfaste cette proposition: nous avons dit et nous devons répéter qu'une réforme fiscale ne peut mériter ce nom que si elle allège la charge fiscale-tant étatique que locale et que si elle stabilise la législation fiscale. Et la liaison entre les impôts locaux et les contributions étatiques a pour but, selon nous, d'atténuer indirectement la trop grande mobilité et la trop grande lourdeur de tous les impôts. Enfin, soutenir qu'une telle liaison conduirait à des contributions variables, quant à leur rendement, selon les collectivités locales de sorte que les conditions de la concurrence seraient faussées (le projet précise: les entreprises situées dans des communes ayant de faibles impôts seraient placées dans une situation privilégiée), c'est oublier que cet inconvénient, dont le projet s'exagère d'ailleurs la gravité, existe également dans le système des impôts locaux autonomes puisque même dans ce procédé, la capacité fiscale des collectivités locales doit nécessairement être inégale. Le projet se contredit d'ailleurs car, sur les six impôts que contiendrait, d'après lui, la fiscalité locale (les uns nouveaux, les autres anciens; les uns directs, les autres indirects), le plus important serait l'actuel impôt additionnel à la „taxe" étatique sur les transactions. *Troisième principe:* unité, dans la diversité, du statut fiscal des collectivités locales. La réforme devrait unifier la fiscalité en ce sens que devrait disparaître le régime spécial d'Alsace-Lorraine. Actuellement en effet les impôts perçus par les départements et communes de la région d'Alsace-Lorraine sont différents (du moins lorqu'il s'agit des impôts directs) des contributions perçues par les départements et communes des autres régions françaises: ils sont régis par une ordonnance du 19 octobre 1945 qui, ayant uniquement réformé la fiscalité locale en Alsace-Lorraine, fut présentée, à l'époque, comme une anticipation de la réforme générale — qui ne fut pas réalisée — de la fiscalité locale dans la France entière. Et il faudrait encore l'unifier en ce sens qu'il faudrait réduire le nombre des impôts locaux (il en existe, maintenant, une bonne vingtaine en Alsace-Lorraine et une bonne trentaine dans le reste de la France). Mais, dans cette relative unité, il faudrait maintenir une certaine diversité car la capacité fiscale ne peut pas être identique pour tous les départements et pour toutes les communes (v. notre article précité dans l'Encyclopédie

Clartés). Pourquoi? parce que s'il est vrai que certaines dépenses (la minorité) sont les mêmes dans toutes les collectivités locales, il est non moins vrai que d'autres dépenses (la majorité) sont différentes selon les collectivités locales: nous pouvons dire, *grosso modo,* que les besoins des communes sont plus grands que ceux des départements (proportionnellement à leur population respective) et que ceux des villes sont plus considérables que ceux des villages (toujours proportionnellement à leur population respective). D'où, parmi les contributions locales, la distinction tripartite des impôts à la fois départementaux et communaux, des impôts purement communaux et des impôts uniquement grand-communaux (c'est-à-dire réservés aux grandes communes). Et aussi parce que la décentralisation administrative a nécessairement pour corollaire une décentralisation fiscale, l'une et l'autre contenues dans certaines limites: il faut que les collectivités locales jouissent d'une relative liberté pour adapter leurs recettes à leurs dépenses. D'où parmi les contributions locales, la distinction bipartite des impôts obligatoires et des impôts facultatifs, les uns et les autres étant créés par l'Etat. Toute contribution locale doit en effet être instituée par une loi ou par un décret-loi. Mais, tandis que les impôts obligatoires sont ceux que les collectivités locales sont obligées de percecoir (la loi le leur „impose"), les impôts facultatifs sont ceux que les collectivités locales sont libres de recouvrer ou non. Le fait qu'une contribution soit obligatoire ne signifie d'ailleurs pas que la collectivité locale qui en est bénéficiaire ne puisse jouir d'aucune liberté pour en déterminer le statut. Certes il ne saurait exister de contribution locale dont le régime ne fût, en partie, fixé par l'Etat puisque tous les impôts locaux — facultatifs comme obligatoires — doivent être créés par des lois. Mais celles-ci peuvent ou bien en déterminer entièrement le régime ou bien n'en déterminer que la structure essentielle auquel cas elles laissent aux départements et aux communes le pouvoir d'en compléter la réglementation, notamment en ce qui concerne les taux, dans la double limite d'un minimum et d'un maximum stipulés par les lois. La distinction des impôts obligatoires et des impôts facultatifs se précise donc ainsi: s'agissant d'un impôt facultatif, la collectivité locale, qui n'est pas obligée de le percevoir, peut prendre une décision (délibération du Conseil départemental ou du Conseil communal) qui le crée et le réglemente à la fois; s'agissant d'un impôt obligatoire, la collectivité locale qui est obligée de le recouvrer doit prendre une décision (délibération du Conseil départemental eu du Conseil communual) qui le réglemente seulement; dans les deux cas, la décision est soumise au contrôle de l'Etat qui l'approuve ou la rejette. Ainsi précisée, cette distinction des impôts obligatoires limite, en la différenciant, la capacité fiscale des départements et des communes afin de permettre

aux collectivités locales d'adapter leurs recettes à leurs dépenses tout en les obligeant à percevoir certains impôts et en les empêchant de percevoir trop d'impôts. Cette distinction bipartite des impôts obligatoires et des impôts facultatifs existe dans la législation actuelle (avec cette précision qu'il existe des impôts obligatoires, comme la „taxe" sur les chiens, dont le régime est entièrement fixé par la loi) où elle se combine avec la distinction tripartite impôts départementaux et communaux, des impôts communaux et des impôts grand-communaux. Le projet gouvernemental maintient ces deux distinctions que nous conservons également. *Quatrième et dernier principe:* séparation nette entre les impôts proprement dits et les taxes *stricto sensu*. La législation actuelle tend à confondre ces deux sortes de recettes en rapprochant les secondes des premières. Or, parce qu'elle s'analyse en la rémunération d'un service rendu à un usager par la commune, la taxe *stricto sensu* ne doit pas être confondue avec l'impôt proprement dit. Nous reprochons donc au projet gouvernemental de continuer à mélanger les taxes locales — taxes d'enlèvement des ordures ménagères, taxe de déversement à l'égoût, taxe de balayage (auxquelles il n'apporte aucune modification) — avec les impôts locaux. Grief d'autant plus accentué que le projet gouvernemental rappelle néanmoins le critère de distinction (rémunération d'un service) de la taxe par rapport à l'impôt.

C'est sur la base de ces quatre principes que seraient reconstruites la fiscalité (impôts proprement dits) et la parafiscalité (taxes *stricto sensu*) des collectivités locales. Il y aurait six impôts et deux taxes.

Les deux taxes *stricto sensu* seraient la taxe d'enlèvement des ordures ménagères et la taxe de déversement à l'égoût. La taxe de balayage serait donc supprimée: ainsi serait réalisée l'unité territoriale de la parafiscalité locale puisque cette taxe n'existe pas en Alsace-Lorraine. Et le régime actuel de ces deux taxes serait remanié en fonction de l'idée qu'elles sont, chacune, la rémunération d'un service. Ce remaniement porterait sur deux points principaux. D'une part, ces taxes seraient obligatoires pour les communes de sorte que les communes ayant institué un service (le mot étant pris, cette fois, dans son acception organique) seraient obligées de percevoir la taxe correspondante: actuellement, ces taxes sont obligatoires dans les communes d'Alsace-Lorraine et facultatives dans les autres communes françaises. D'autre part, ces taxes seraient calculées en fonction du coût du service et non plus sur la base du revenu de l'immeuble qui était imposable à la contribution foncière. Et c'est uniquement pour leur recouvrement et leur contentieux que ces taxes resteraient „assimilées" aux impôts et, spécialement, aux impôts directs.

Des six impôts, quatre seraient directs et deux indirects. Il y aurait quatre impôts directs: une contribution sur le revenu des

personnes physiques; une contribution sur le revenu des personnes morales; une contribution locative; une contribution vicinale.

La contribution sur le revenu des personnes physiques et la contribution sur le revenu des personnes morales présenteraient, en gros, les mêmes caractères. Elles seraient additionelles aux impôts étatiques sur les revenus que nous proposons: l'une s'ajouterait à l'impôt sur le revenu des personnes physiques, l'autre à l'impôt sur le revenu des personnes morales. Elles seraient départementales et communales: chacune se dédoublerait en un impôt départemental et en un impôt communal. Elles seraient obligatoires tant pour le département que pour la commune. Mais chaque collectivité locale aurait la liberté, sous le contrôle de l'Etat, d'en fixer le taux dans la double limite d'un minimum et d'un maximum établis par la loi: pour la commune 2 % au minimum et 10 % au maximum du tarif de la contribution étatique; pour le département, 1 % au minimum et 5 % au maximum du tarif de la contribution étatique. Elles seraient recouvrées au seul profit du département et de la commune dans lesquels la personne physique a sa principale résidence et la personne morale son siège social (résidence et siège étant les lieux respectifs d'établissement des deux impôts étatiques sur les revenus).

A la différence des précédentes qui seraient des impôts nouveaux, la contribution vicinale serait la transformation d'impôts actuels. Elle serait autonome (vis-à-vis des contributions étatiques), communale et facultative. La supporterait tout habitant de la commune réunissant ces trois conditions: être du sexe masculin; être âgé de 18 ans au moins et de 60 ans au plus; n'être pas infirme. Pourquoi ces conditions? parce que cet impôt, affecté aux dépenses d'entretien des chemins communaux, serait calculé en journées de travail, évaluées en argent à l'aide d'un tarif de conversion. La loi fixerait le minimum et le maximum tant du nombre (deux à six) que de la valeur (100 à 300 francs) des journées de travail, chaque commune ayant la liberté de fixer, sous le contrôle de l'Etat, des chiffres intermédiaires en nombre et en valeur. Sauf dans les villes de plus de 10.000 habitants où il devrait s'exécuter en argent, le contribuable aurait en effet le choix entre le paiement en travail ou le paiement en monnaie. D'aucuns estiment-ils qu'un pareil impôt, souvenir de la corvée, ne respecterait pas „l'éminente dignité de la personne humaine"? Objection vaine, car c'est oublier que le contribuable jouit d'une option et surtout que, dans les villages, il préfère payer en travail qu'en argent.

La contribution locative ne serait, elle aussi, que la transformation d'actuels impôts. Elle serait indépendante (à l'égard des impôts étatiques), facultative et grand-communale car elle serait réservée uniquement aux grandes villes-notamment à Paris d'une popula-

tion supérieure à 500.000 têtes. Y seraient contribuables tous les occupants de locaux affectés à l'usage d'habitation ou à l'exercice de profession. Elle aurait, pour base, la valeur locative réelle (étant précisé que, pour les locaux occupés par les propriétaires eux-mêmes, cette valeur serait déterminée par comparaison avec les immeubles occupés par les locataires). Son taux maximum serait de 10 %, la ville pouvant, sous le contrôle de l'Etat, arrêter un tarif inférieur.

A côte de ces quatre contributions directes, il y aurait deux impôts indirects: une contribution sur les affaires et un impôt sur les spectacles.

La contribution sur les affaires serait additionnelle à un impôt étatique à savoir l'impôt général sur les productions que nous proposons. Elle serait départementale et communale. Elle serait obligatoire. Et — caractéristique spéciale — son régime serait entièrement fixé par la loi de sorte que les collectivités locales n'interviendraient, en aucune mesure, dans la détermination de son statut, même pas pour le taux qui serait fixé uniformément à 2 % de la matière imposable à la contribution étatique. Sur le produit de cet impôt, 50 % et 25 % seraient versés respectivement à la commune et au département (à proprement parler, cet impôt ne se dédoublerait donc pas), le solde soit 25 % étant remis à un „fonds commun" départemental (et non pas national) pour être ultérieurement partagé entre les communes du département, par une commission départementale présidée par un magistrat et composée, en nombre égal, de représentants du Fisc, de représentants des communes et de représentants des contribuables. Et par contribuables nous entendons ici non pas les contribuables fictifs (commerçants) mais les contribuables réels (consommateurs) puisqu'il s'agit d'un impôt indirect.

La contribution sur les spectacles ne serait pas autre chose que le remaniement de l'actuel impôt du même nom. Il resterait autonome (vis-à-vis des contributions étatiques) et communal. Mais, au lieu d'être obligatoire, il deviendrait facultatif. Et ses tarifs (il existe cinq catégories de spectacles et chacune de ces cinq catégories, à l'exception de la dernière qui ne contient qu'un tarif, contient quatre tarifs entre lesquels la commune peut choisir) seraient réduits de moitié. Il est en effet notoire que ces taux, tantôt proportionnels tantôt progressifs-ceux-ci concernant la quatrième et la cinquième catégories) sont trop lourds. A la rigueur nous ne réduirions pas le tarif progressif de la cinquième catégorie parce qu'elle concerne les maisons de jeux qui, en admettant qu'elle soient des spectacles, ne sont pas en tout cas des spectacles dignes d'intérêt!

Tels seraient les impôts locaux qui seraient assis et recouvrés par les mêmes administrations que celles qui établiraient et percevraient les contributions étatiques.

B - ADMINISTRATIONS

Sur la totalité du territoire, il n'y aurait plus que deux régies fiscales: d'une part, celle des douanes; d'autre part, celle des impôts dont relèveraient toutes les contributions, locales comme étatiques, directes et indirectes à l'exception des droits de douane. Ainsi serait complétée, dans le cadre de ce dualisme, l'unification déjà amorcée, à la veille de la réforme gouvernementale de 1948-1950, par la création de la direction générale des impôts (fusion des trois directions générales), et par le maintien de la direction générale des douanes (v. supra, cette Revue, 1949, p. 128 et s.). Et si nous ne proposons pas l'institution d'une administration unique, c'est que le maintien de la régie des douanes, se justifie, à notre avis, par la technique spéciale et par le caractère provisoire des droits de douane. L'administration des impôts serait donc unifiée sur le plan local où les diverses directions régionales seraient fondues en une seule, comme elle l'est déjà sur le plan central. Cette régie serait chargée tant du recouvrement que de l'assiette des impôts de sorte que l'administration de la comptabilité publique n'aurait plus pour tâche que le paiement des dépenses publiques et que la perception des recettes non fiscales: le recouvrement des impôts directs et des taxes assimilées (nous avons déjà indiqué que les taxes *stricto sensu* resteraient assimilées aux impôts proprements dits en ce qui concerne leur recouvrement) serait enlevé à l'administration de la comptabilité (v. supra, cette Revue, 1949, p. 128) pour être confié à la régie des impôts. Mais les agents de celle-ci auraient des attributions à la fois générales et particulières. Ils seraient „polyvalents" en ce sens que leur compétence s'étendrait à tous les impôts autres que les droits de douane. Ils seraient „monovalents" (ou, si vous préférez, spécialisés) en ce sens que leur tâche se limiterait soit à l'assiette soit au recouvrement soit au contrôle de ces contributions: la division du travail entre les divers fonctionnaires de la même administration se ferait non par répartition des impôts mais par répartition des trois opérations — assiette, recouvrement, contrôle — auxquelles donnent lieu les impôts. Pareille réorganisation n'exigerait pas, nous semble-t-il, une augmentation du nombre des agents puisqu'elle se traduirait par l'intégration, dans une seule administration, des fonctionnaires appartenant à plusieurs administrations. En admettant même qu'elle exigerait une augmentation — qui, en tout cas, ne serait que légère — nous en resterions partisan. Car autant il est logique d'économiser sur le personnel des services dont l'objet est de dépenser, autant il serait absurde de lésiner sur le personnel des services — tels les fiscaux — dont l'objet est d'encaisser..... et, ajoutons-le, d'encaisser davantage. Car, jointe à la réforme des impôts — dont la simplification et l'allégement sont des conditions

indispensables à l'utile travail des agents fiscaux — cette réforme des administrations permettrait de combattre la fraude avec plus d'efficacité. Et elle permettrait enfin de faire fonctionner ces deux institutions que sont le contrôle unique et la documentation unique (ou casier fiscal) c'est-à-dire, pour un même contribuable (et, notamment, pour un commerçant), la centralisation de tous les renseignements et, à l'aide de ceux-ci, la vérification de tous les impôts. Encore faudrait-il, pour faciliter aux agents cette lutte contre la dissimulation, créer un climat favorable. Comment? A l'égard des contribuables, en décidant une amnistie pour le passé et en renforçant les sanctions pour l'avenir. A l'égard du Fisc en donnant aux agents, outre une culture technique, le sens de la psychologie afin d'éviter qu'ils ne se conduisent, dans leurs rapports avec les redevables, comme des policiers traitant des malfaiteurs: cela exigerait l'amélioration de leur recrutement (qui ne se ferait, en aucun cas, dans la police même économique) par la formation des nouveaux agents dans une école fiscale ouverte uniquement aux jeunes gens titulaires de la licence en droit. Ainsi disparaîtrait l'„esprit de caste" qui caractérise actuellement les diverses administrations fiscales qui s'ignorent lorsqu'elles ne se méprisent pas.

Cette réorganisation des administrations se relie — nous l'avons constaté — à la réforme du recouvrement.

C - RECOUVREMENT

La distinction entre impôts directs et impôts indirects, fondée sur le critère de l'incidence (entendue comme incidence de droit), devrait-elle continuer à se traduire, sur le plan du recouvrement, par une divergence de régime entre ces deux catégories de contributions? En d'autres termes, les impôts directs resteraient-ils les contributions perçues au moyen de rôles établis par une administration (v. notre commentaire sous Cons. d'Etat, 6 décembre 1948, Revue de science et de législation financières, 1950, p. 321) à la différence des impôts indirects qui resteraient des contributions perçues, sans l'aide de rôles, par d'autres administrations? Nous répondons par la négative. Et pour deux raisons. D'abord, parce qu'il n'y aurait plus, pour tous les impôts directs et indirects autres que les droits de douane, qu'une seule administration. Ensuite, parce qu'il est techniquement possible — et pratiquement préférable — d'adopter, en principe (et nous soulignons cette expression), pour toutes les contributions directes et indirectes autres que les droits de douane, un seul procédé qui serait précisément, sous la même étiquette ou sous une étiquette différente (il n'importe), celui des rôles. N'est-ce point dans cette voie que s'est dirigée la réforme de 1948 (v. notre ouvrage, la Réforme fiscale, p. 349 et s.) en basant la

perception des impôts indirects sur un„titre" analogue au rôle sur lequel est fondé le recouvrement des impôts directs.

Ainsi, tandis que les droits de douane continueraient à être perçus dans les conditions actuelles c'est-à-dire sans rôles et au comptant (v. Trotabas, Précis de science et de législation financières, 1950, p. 181), tous les autres impôts, indirects comme directs, seraient recouvrés au moyen des rôles. Ceux-ci seraient émis par les agents spécialisés chargés du recouvrement. Ils devraient être émis dans le premier semestre de l'année suivant celle de la réalisation de la matière imposable (pour la fixation de ce délai, il faut en effet tenir compte du fait que les rôles ne peuvent être émis, notamment en matière d'impôts sur les revenus, qu'après la production des déclarations des contribuables). Et ils seraient exécutoires, c'est-à-dire que les sommes qu'ils contiennent seraient exigibles, à l'expiration d'un délai de deux mois suivant leur émission. Mais ces sommes ne constitueraient, en définitive, qu'un faible solde des impôts. Pourquoi? parce que le contribuable aurait déjà effectué, en provision, de substantiels versements, soit par un tiers (procédé du stoppage à la source) soit par lui-même (procédé des acomptes), ces deux procédés étant englobés dans le terme générique, créé par la réforme gouvernementale de 1948-1950, de précompte. Sans doute ces procédés ne seraient-ils pas nouveaux. Mais —et voici l'originalité de notre projet — leur application serait étendue au maximum. Le procédé du stoppage à la source s'appliquerait dans les deux impôts généraux sur les revenus. Et, pour répondre d'avance à une objection, signalons que le caractère progressif de l'impôt sur le revenu des personnes physiques ne ferait pas obstacle, ainsi que le prouve l'expérience de législations étrangères, à l'emploi de ce procédé. Dans la première quizaine de chaque trimestre, le tiers devrait verser aux agents spécialisés chargés du recouvrement, les retenues qu'il aurait faites, pendant le trimestre précédent, sur chaque paiement des revenus dont il est débiteur. Ce procédé se combinerait avec celui des acomptes qui jouerait dans toutes les contributions (y compris les deux impôts généraux sur les revenus) et pour tous les contribuables. Il aurait quatre acomptes trimestriels dont chacun serait égal au cinquième des cotisations ayant figuré, au nom du contribuable, dans les rôles de l'année précédente. Ces acomptes seraient respectivement exigibles le 15 avril, le 15 juillet, le 15 novembre de l'année de la réalisation des revenus et le 15 février de l'année suivante. De l'acompte serait déduit, le cas échéant, le montant des sommes acquittées, pendant le trimestre précédent, par le procédé du stoppage à la source. La régularisation des paiements provisionnels ainsi effectués par ces deux procédés de précompte serait faite lors de l'émission des rôles lesquels, rappelons-le, seraient émis au plus

tard le Ier juillet de l'année suivant celle de la réalisation des revenus. Les rôles indiqueraient, pour chaque contribuable, le total de la dette fiscale et le total des versements provisionnels. Et de deux choses l'une. Ou bien le Fisc serait créancier de la différence: en ce cas — le plus fréquent — le contribuable devrait la payer dans les deux mois suivant l'émission des rôles. Ou bien, le contribuable serait créancier de la différence: en ce cas — le moins fréquent — elle s'imputerait sur les acomptes ultérieurs (nous préférons ce système d'imputation à celui de la restitution, car vous n'ignorez pas que le Fisc ne rend jamais volontiers ce qu'il a reçu en trop).

Pareil régime aurait l'avantage d'accélérer et de fractionner le recouvrement. Reste à savoir s'il conviendrait de maintenir un régime particulier pour le recouvrement de l'impôt spécial sur les successions et les donations. Nous répondons par la négative. La législation actuelle, qui autorise les redevables à échelonner le paiement de l'impôt sur les successions par versements semestriels, sur une période de cinq ans au maximum, ne s'explique que par la lourdeur de la progressivité de cet impôt (v. supra, cette Revue, 1949, p. 147). Elle est en outre illogique puisqu'elle n'applique pas cette solution à l'impôt sur les donations (lequel est exigible en fait, lors de l'enregistrement et, en droit, avant même l'enregistrement) dont les taux sont pourtant identiques à ceux de l'impôt sur les successions. Or, étant donné que nous proposons une réduction sensible des tarifs progressifs de ces deux impôts que nous fusionnons, rien ne fait obstacle, nous semble-t-il, à ce que l'impôt spécial sur les successions et les donations obéisse au nouveau régime général du recouvrement de tous les impôts autres que les droits de douane. Ainsi unique, le statut du recouvrement de ces impôts présenterait également l'avantage de la simplicité. Et c'est le même avantage que permettrait d'obtenir la réforme du contentieux.

D - CONTENTIEUX

Sur ce point, on peut hésiter entre quatre solutions: simplifier la répartition des compétences entre tribunaux civils et tribunaux administratifs en donnant à ceux-ci tout le contentieux des impôts directs et à ceux-là tout le contentieux des impôts indirects; attribuer aux tribunaux civils la totalité du contentieux des impôts directs et des impôts indirects; conférer, au contraire, aux tribunaux administratifs, la totalité du contentieux des impôts directs et des impôts indirects; enfin, créer une juridiction fiscale à laquelle serait attribuée la totalité du contentieux des impôts directs et des impôts indirects. A notre avis, les deux premières solutions doivent être écartées encore qu'elles amélioreraient sensiblement la situation actuelle. Car, elles présenteraient, toutes deux et surtout la seconde, l'inconvénient de

faire juger par les tribunaux civils des conflits fiscaux, qui s'analysent non pas en des litiges privés mais en des procès publics parce qu'ils se déroulent entre collectivités publiques, créancières des impôts, et personnes privées, débitrices des impôts.

Reste donc le choix entre les deux dernières solutions. Mais ce choix est-il nécessaire? Non. Et nous penchons pour une solution mixte: créer, au sein de la juridiction administrative, donc sous la dépendance du Conseil d'Etat, des tribunaux spécialisés en matière financière et, par suite, dans le domaine fiscal. Cette solution mixte éviterait, dans la mesure du possible, les inconvénients pratiques des deux dernières solutions. La troisième ne serait pas assez satisfaisante. Car les tribunaux administratifs ordinaires (Conseils de Préfecture en première instance et Conseil d'Etat en appel) seraient surchargés d'affaires — ils le sont déjà bien que, du contentieux fiscal, ils ne jugent que certains litiges. En outre, les Conseils de Préfecture ne donnent pas, quant à leur valeur et à leur indépendance (ils relèvent du ministère de l'Intérieur, donc des préfets), toutes les garanties désirables. D'où les risques d'une plus grande lenteur et d'une plus grande partialité de la „justice" fiscale. Quant à la quatrième solution — création d'une juridiction fiscale indépendante de la juridiction administrative, elle serait susceptible d'engendrer des conflits de compétence entre ces deux juridictions d'autant que les litiges fiscaux ne sont — nous l'avons indiqué — qu'une espèce de procès publics.

Objectera-t-on que notre solution mixte, si elle évitait ces inconvénients, en produirait un autre: celui d'engager de nouvelles dépenses? A cela, nous répondrons d'avance, par l'argument que nous avons déjà invoqué au sujet de l'augmentation du personnel de l'administration fiscale en ajoutant que ces dépenses seraient minimes en raison de l'organisation des nouveaux tribunaux.

Au sein de la juridiction administrative, les tribunaux spécialisés dans le contentieux fiscal seraient à deux degrés. Au premier degré, des Tribunaux financiers interdépartementaux (par exception, il y aurait un Tribunal financier départemental: celui de la Seine). Au second degré, une Cour financière nationale: ce serait l'actuelle Cour des Comptes transformée. Les magistrats, qui dépendraient du ministre de la Justice, se recruteraient par concours (ceux de la Cour étant toutefois choisis parmi ceux des Tribunaux) et jouiraient de l'inamovibilité (telle qu'elle est organisée, au profit des magistrats de l'ordre civil, par la Constitution de 1946). Les Tribunaux et la Cour auraient une compétence financière qui déborderait le domaine fiscal: outre le contentieux des impôts, le contentieux des comptes (à cet égard, la Cour conserverait donc la fonction qu'elle exerce). Voilà pourquoi nous les qualifions de financiers et non pas

uniquement de fiscaux. S'agissant du contentieux des impôts (de tous les impôts, directs et indirects) les Tribunaux statueraient en premier ressort et la Cour en dernier ressort (en appel), les arrêts de la Cour étant susceptibles d'un recours en cassation devant le Conseil d'Etat. Vous savez que celui-ci est déjà juge de cassation des décisions de la Cour des comptes (v. Trotabas, op. cit., p. 134 et 135): il ne s'agirait donc que d'étendre au contentieux fiscal une règle du contentieux comptable. C'est ainsi que les Tribunaux et la Cour s'intégreraient dans la juridiction administrative. Par comparaison avec la situation actuelle, le rôle fiscal du Conseil d'Etat ne serait pas surchargé mais allégé d'autant que dans notre pensée, il serait limité à l'appréciation de la légalité des actes administratifs Et le contribuable conserverait le droit de saisir directement — donc *omisso medio* — le Conseil d'Etat pour lui demander l'annulation des règlements illégaux, ce qu'il peut faire actuellement (v. notre étude, le recours pour excès de pouvoir en matière fiscale, semaine Juridique 1947-I-571), étant précisé que l'annulation aurait autorité *erga omnes* y compris les tribunaux financiers. Ainsi seraient évités, au sein de la juridiction administrative, les désaccords de décisions entre ces tribunaux financiers et les autres tribunaux puisque le Conseil d'Etat serait leur supérieur commun. Quant aux désaccords entre les tribunaux financiers et les tribunaux civils, ils ne pourraient plus se produire puisque les tribunaux civils seraient totalement dépouillés de leur compétence fiscale sous deux réserves qui ne s'analyseraient pas en véritables exceptions: les tribunaux civils resteraient compétents pour juger les violations de la legislation fiscale érigées en infractions pénales et pour trancher les „questions préjudicielles" soulevées au cours des procés d'impôts (v. notre chronique de jurisprudence fiscale, Revue de science et de législation financières, 1949, p. 358). Encore serions-nous partisan de la suppression du renvoi des questions préjudicielles aux tribunaux en posant comme règle, par application du principe général de l'autonomie du droit fiscal (v. Trotabas, op. cit., p. 275 s.), que les décisions rendues par les tribunaux financiers sur lesdites questions préjudicielles (propriété, nationalité etc.....) n'auraient d'effets que sur le plan fiscal.

Cette unification des compétences juridictionnelles s'accompagnerait d'une unification des procédures contentieuses. Il n'y aurait plus qu'une seule procédure, qu'il s'agisse d'impôts directs ou d'impôts indirects et qu'il s'agisse d'assiette ou de recouvrement. Cette procédure unique ne s'ouvrirait pas obligatoirement par un préliminaire de conciliation devant l'administration fiscale. L'expérience prouve en effet que celui-ci est inutile et, par suite, nuisible car il retarde le jugement définitif des procès d'impôts. La législation actuelle

est d'ailleurs incohérente puisque, si elle exige ce préliminaire, elle ne l'exige pas dans tous les cas (v. notre ouvrage, La Réforme fiscale, p. 351 et 352).

E - LÉGISLATION

La simplification des impôts, des administrations, du recouvrement et du contentieux entraînerait déjà une réduction sensible des textes fiscaux. Mais il faudrait encore codifier puis stabiliser la législation fiscale.

D'abord, la *codifier*. Le système actuel des deux Codes — le Code général des impôts et le Code spécial des droits de douane — serait maintenu d'autant que ce dualisme de la codification correspondrait au dualisme des administrations. Il s'agirait donc plutôt d'une „recodification" que d'une codification proprement dite. En raison de la simplification qui serait réalisée sur les autres points (impôts, administrations, recouvrement, contentieux), le contenu de ces codes serait considérablement allégé. Surtout le Code général des impôts qui aujourd'hui a quelque 2.000 articles. Signalons que l'actuelle lacune de ce code — qui ne contient pas les régimes spéciaux de certaines parties (Alsace-Lorraine notamment) du territoire français — disparaîtrait automatiquement puisque nous avons proposé l'unification territoriale de la réglementation fiscale. Ce serait sur les Annexes à ce code que devrait porter l'effort de perfection de la codification. Nous sommes partisan du maintien des annexes au Code proprement dit et non de la fusion des annexes dans le Code. Car, l'avantage de cette distinction l'emporte, à nos yeux, sur son inconvénient. L'inconvénient, c'est d'obliger le lecteur à rechercher dans les Annexes les dispositions qui complètent les prescriptions du Code. L'avantage, c'est de distinguer les textes législatifs (lois et décrets-lois) qui figurent dans le Code, des textes réglementaires qui figurent dans les Annexes, avantage accentué par le fait que les quatre Annexes correspondent aux quatre catégories de textes réglementaires émanant des autorités étatiques: distinction utile puisque cette hiérarchie des actes publics obéit au principe de la légalité en vertu duquel les actes d'un degré inférieur doivent respecter les actes des degrés supérieurs sous peine d'être déclarés illégaux par le juge fiscal. Mais nous croyons qu'il serait utile d'y ajouter une Annexe V. Elle contiendrait les textes réglementaires pris par les autorités locales: délibérations des départements et des communes relatives aux impôts locaux. Il est en effet impossible de connaître, en droit comme en fait, quel est le régime précis des contributions locales — à l'exception de celles dont le statut est entièrement fixé par la loi (et dans notre projet il n'y en a qu'une) — si l'on ignore ces délibérations.

Ensuite, *la stabiliser*. La Réforme fiscale étant finalement faite

(c'est une hypothèse!), il conviendrait de donner à la réglementation fiscale une stabilité relative sans laquelle toute codification n'est qu'oeuvre vaine. Mais comment faire pour atténuer sensiblement l'extrême mobilité de la législation fiscale? C'est là sans doute la question la plus délicate parmi celles, cependant difficiles, que soulève, la thérapeuthique de notre fiscalité. En appeler à l'intelligence des gouvernants? Ce serait leur faire trop d'honneur. Nous ne voyons guère qu'un moyen: donner aux lois fiscales un statut intermédiaire entre les lois constitutionnelles et les lois ordinaires. Cela en interdisant à tous ceux qui jouissent d'un droit d'initiative des lois d'impôts (ministres et parlementaires) de proposer des modifications à la législation fiscale en dehors de la loi annuelle de finances et en obligeant le Parlement à se prononcer, sur les changements ainsi proposés, par deux votes successifs — l'un sur l'urgence, l'autre sur le contenu des retouches — pris, chacun, à une majorité renforcée ($^2/_3$ des voix). Ce statut spécial des lois fiscales exigerait une révision constitutionnelle. Et, pour être respecté, il exigerait aussi que les tribunaux financiers, rompant enfin avec la traditionnelle passivité de la magistrature française, se reconnussent le pouvoir de contrôler la constitutionnalité des lois fiscales, afin de proclamer la nullité des votes parlementaires qui violeraient la Constitution en transgressant ce statut constitutionnel des lois fiscales ou en conférant au Gouvernement le pouvoir de prendre des décrets-lois en matière d'impôts.

Vous avez déjà constaté qu'une véritable refonte de la fiscalité française devrait se faire dans le cadre d'une réforme financière et d'une réforme économique. Vous constatez maintenant qu'elle doit s'accompagner d'une réforme constitutionnelle qui, sans figer dans l'immobilité absolue le nouveau régime, lequel, comme toutes les institutions humaines, doit s'adapter aux évolutions indispensables, lui conférerait néanmoins une certaine stabilité. N'est ce pas laisser pressentir que notre projet se heurtera à des résistances invincibles? C'est à cette question que nous allons brièvement répondre dans la conclusion.

CONCLUSION

Nous avons essayé, dans cet article dont nos lecteurs excuseront sinon les erreurs que nous ignorons, du moins les lacunes et les imprécisions que nous connaissons, d'exposer et de résoudre le problème capital d'une réforme „totale" de la fiscalité française en examinant les maux et en étudiant les remèdes. Nous avons tenté de le faire sans exagérations ni du point de vue de la pathologie ni du point de vue de la thérapeuthique. Et, parce que nous sommes

convaincu qu'une réforme sera vouée à l'échec si elle n'est pas une révolution, nous avons proposé un projet aussi radical que possible. Et nous écrivons „possible", car nous avons conscience qu'il n'est pas utopique. Si nous n'espérons guère que les gouvernants le prennent en considération dans son ensemble car la conjoncture politique n'est pas favorable à une révolution fiscale, nous n'avons point cependant le sentiment total d'avoir fait oeuvre vaine à la manière de Don Quichotte. Est-il trop présomptueux de penser que cette brève étude puisse être de quelque utilité aux Français et même aux étrangers? Aux Français elle aura sans doute montré la nécessité d'une réforme digne de ce nom. Et si certains estimeront que notre projet est trop révolutionnaire et d'autres qu'il est trop conservateur — nous pensons au mot de l'Anglais Burke: „établir des impôts et plaire, pas plus qu'aimer et être sage, n'est donné à l'homme" ils trouveront peut-être, s'ils lisent ces lignes, quelques idées qui à leurs yeux mériteraient de se transformer en réalités. Aux étrangers, elle aura probablement prouvé que les données et les solutions du problème de la fiscalité de la France sont analogues à celles du problème de la fiscalité de leur pays. Et une réforme de la fiscalité française aurait fatalement des répercussions sur les fiscalités étrangères, ne serait-ce que parce qu'elle entraînerait une révision des conventions fiscales conclues par la France avec d'autres Etats. A cet égard, il est curieux de constater que la réforme gouvernementale de 1948 (remaniement des impôts) n'a pas été suivie d'une révision partielle de ces traités fiscaux [1]). Et, s'il en est ainsi, c'est parce que cette prétendue réforme a été beaucoup plus apparente que réelle (v. notre étude, Les conséquences de la réforme fiscale sur les conventions internationales, Gazette du Palais, 1949-2-52).

Paris, 20 octobre 1950.

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[1]) Toutefois, à la date à laquelle nous corrigeons les épreuves de la fin de cet article — soit le 30 avril 1951 — la France a conclu avec quelques pays soit de nouvelles conventions (exemple: convention franco-anglaise des 14 décembre 1950) soit des avenants aux anciens traités (exemple: avenant franco-suédois du 28 octobre 1950) qui tiennent compte, dans une certaine mesure, de ladite réforme.

THE PROBLEM OF THE REFORM OF FRENCH FINANCE

SUMMARY

This paper is devoted to the problem of the reform of French finance and is divided into an introduction, two chapters and a conclusion. It has been published in the present Review in two parts (see Public Finance 1949, pp. 124 foll. and 1951, pp. 19 foll.).

Having been written in October 1948, hence before the reform of Dec. 1948—April 1950, chapter I deals with the "*pathology*" of French finance, i.e. the evils of French taxation. The author denounces in succession: the complexity of the fiscal machine (too many taxes, too many laws, too many administrative bodies, too many courts, ou rather too many "rules" for the division of competence between civil and administrative courts, which both deal with tax matters); the instability of fiscal law (continual modifications of fiscal texts); the inequality of the tax burden (contrast between taxpayers taxed too heavily and those who are not taxed al all, the chief, though not the only cause of this contrast being evasion); and finally the slowness of tax collection. He shows how these four evils link up and he points to their drawbacks, and even to the dangers for the Revenue and for the taxpayers.

The second chapter, written in Octobre 1950, hence after the reform of Dec. 1948—April 1950, deals with the "*therapy*" of French finance, i.e. remedies for French taxation. The author first studies the reform of Dec. 1948—April 1950. He explains the réalisation of the reform: it has been effected in two stages, namely alteration of taxes and classification of laws — by Government decrees (of Dec. 8 and 9, 1948 and of April 6, 1950) — authorized by Parliament. He shows what the reform consisted of: As regards the classification of the tax laws, it replaces the numerous statutes — a special statute for customs duties and a general tax statute (covering all direct and indirect taxes other than customs duties); as regards the modification of taxes, the reform deals with State taxes (not including local rates), chiefly income taxes, the seven old taxes on income having been replaced by two new taxes on

income, distinguished according to the kind of taxpayers — tax on artificial persons and tax on natural persons — split into a proportional tax and a progressive surtax. After having shown that it is quite inadequate he criticizes the reform. This inadequacy shows up in unlawfulness, gaps, "hypocrisy" (the simplification of income taxes being more apparent than real) and the author shows that it has been partly "sabotaged" by subsequent texts (laws and even decrees). So this reform is not very satisfactory.

The author therefore next examines the various plans for fiscal reform, in particular those put forward by the Trade Unions: that of the C.G.T. (Confédération Générale du Travail) and the joint plan of the C.G.C. (Confédération Générale des Cadres) and the C.G.E. (Confédération Générale de l'Epargne), and his own suggestions for a fiscal revolution, which would rebuild the "structure" of both local and State taxes. And the author concludes — on October 30, 1950 — that the political situation is not very suitable for a fiscal revolution, although it is necessary.

BOOK REVIEW / CRITIQUES

Laufenburger H. Finances Comparées. Etats-Unis, France, Grande-Bretagne, U.R.S.S. Deuxième édition entièrement refondue. 1 vol. de 350 pages. Librairie du Recueil Sirey, Paris 1951.

Le Professeur Henry Laufenburger appartient indubitablement au cercle restreint des personnalités les plus marquantes de la science financière. Son activité scientifique, devenue depuis longtemps internationale, est d'une grande valeur et elle fournit un intérêt toujours plus vaste. Son oeuvre principale „Traité d'Economie et de Législation financières" en 4 volumes, parue en plusieurs éditions, a contribué énormément à l'éclaircissement dans un esprit scientifique, cohérent et réaliste des grands problèmes financiers et fiscaux de notre époque.

Son ouvrage „Finances Comparées" dont la nouvelle édition entièrement refondue, vient de paraître, constitue un ouvrage d'une grande importance pour la politique financière d'après-guerre. M. Laufenburger traite les finances publiques des quatre grandes puissances — Etats-Unis, France, Grande-Bretagne et U.R.S.S. — qui malgré qu'elles se trouvent sous un système économique tout à fait différent présentent dans leur comparaison beaucoup de similitudes essentielles dans la structure de leurs institutions juridiques et financières.

Ainsi M. Laufenburger remarque qu'en dépit du fossé profond creusé entre les deux fronts opposés, qui divisent, sur le plan idéologique, moral et matériel le monde d'aujourd'hui, «il se produit pourtant sur le terrain technique des institutions économiques et des réalisations financières, un rapprochement entre les deux régimes qu'on peut qualifier de sensationnel». Cela s'explique d'après M. Laufenburger du fait que la politique économique est une discipline froide et amorale qui pénètre sans préjugé et sans parti pris dans la réalité des faits pour atteindre le même but dont le choix des moyens n'est pas tellement libre. L'auteur se propose avec son livre de montrer que sur le terrain des finances publiques, la situation est identique.

Le planisme économique qui est déjà introduit presque dans la plus grande partie du monde, certainement avec de grandes diffé-

rences, s'appuie sur la technique financière du budget qui constitue la base de la politique financière. Le budget qui en principe a conservé son armature classique a pour tâche la coordination économique et l'exécution du plan économique et financier.

Il est très intéressant de constater que le Prof. Laufenburger avec la nouvelle édition de son ouvrage prend définitivement parti pour le dirigisme, qu'il considère désormais comme une nécessité dont on ne peut plus se passer. „Aucun des pays économiques, écrit M. Laufenburger ne s'affranchira plus jamais de l'intervention économique et sociale. Lorsque la reconstruction sera terminée, quand le marché financier aura repris une partie de l'équipement actuellement à la charge du budget, lorsque le réarmement aura atteint son plafond, il y aura de nouvelles occasions pour l'Etat de se manifester." Cette constatation est d'une grande importance, parce qu'elle émane de M. Laufenburger. Elle montre, d'autre part, la voie définitive selon laquelle les grands problèmes économiques et financiers contemporains doivent être résolus. Cette voie n'est autre que celle du dirigisme conçu et exécuté dans un esprit démocratique.

„Les Finances comparées" sont divisées en deux grandes parties. Dans la première, le budget et la politique budgétaire sont examinés; dans la deuxième, les ressources budgétaires et la politique financière. Les problèmes du planisme, de l'équilibre budgétaire, du budget cyclique, de la politique fiscale, du crédit public, enrichis avec les données statistiques les plus récentes, sont traités d'une manière claire et systématique et donnent un aspect complet de la politique financière internationale.

Ainsi l'ouvrage du Prof. Laufenburger devient, avec la multitude des problèmes traités, l'objectivité de l'exposé, la richesse des idées et de la documentation, le style vivant et clair, un instrument indispensable non seulement pour les spécialistes mais aussi pour tous ceux qui s'intéressent aux grands problèmes des finances publiques internationales. Espérons qu'une traduction en d'autres langues ne tardera pas à paraître.

ANGELOS ANGELOPOULOS

REVIEW OF PERIODICALS
ON THE SCIENCE OF PUBLIC FINANCE

REVUE DES PERIODIQUES
TRAITANT DE LA SCIENCE DES FINANCES PUBLIQUES

Continued from number 1, volume 1951, page 89 and following of this review.
Suite du numéro 1, année 1951, page 89 et suiv. de ce périodique.

I. Periodicals devoted to the science of public finance or taxation.
Périodiques consacrés à l'étude des sciences financières ou de l'imposition.

REVUE DE SCIENCE ET DE LÉGISLATION FINANCIÈRES
(Paris)

Tome XLII, no. 3, Juil.-Août-Sept. 1950

B. U. Ratchford, La répartition des valeurs fédérales des Etats-Unis.

C. Brinkmann, Économie du marché, fiscalité et dirigisme dans la politique économique allemande depuis la réforme monétaire.

F. Neumark, Problème de progressivité dans une fiscalité rationnelle. Remarques introductrices.

G. Deramoudt, Le rapport épargne-investissement sous l'angle des finances publiques.

M. Merle, La règle du paiement après service fait.

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THE REFORM OF JAPANESE TAXATION

BY U. K. HICKS
Oxford (Gr. Br.)

I

For academic specialists to be assigned the task of making comprehensive recommendations on the tax system of another country should be at once an exhilarating and a sobering experience. The satisfaction of extending one's influence over so wide and distant a field is counterbalanced by the manner in which the theories and principles so convincingly developed in the lecture room have to be pruned and distorted, even perhaps thrown on the rubbish heap, when brought up against the hard facts of administrative limitations, such as the absence of a profession of accountancy.

This [1]) is a Report by seven American economists who were sent by the American Government in the summer of 1949 to "draw up a plan of a permanent tax system for Japan". While it is recorded that all seven were in substantial agreement on the main conclusions, the actual drafting of the Report was the work of the three Columbia Professors — Carl Shoup, William Vickrey and William Warren. It is no doubt to their habitual collaboration that the Report owes the boldness and force of its recommendations.

After ten years of war and inflation Japanese finances had drifted into a condition very near chaos. The wholesale price index, which had stood at roughly 150 in 1938 (1933 = 100), had been as high as 32300. In spite of rent control and a large assortment of consumer subsidies the retail index had soared even higher. Inflation of this order inevitably plays havoc with business accounts, tax assessments and revenue collections. There were however some favorable items on the other side of the account.

First, America was providing extensive aid, of which the counter-

[1]) Report on Japanese Taxation by the Shoup Mission, General Headquarters. Supreme Commander for the Allied Powers, Tokyo, Sept., 1949.

part, amounting to some Y 60 bn was mainly devoted to debt repayment; in addition to this, investment aid of Y 80 bn was available. These sums together substantially exceeded the occupation costs charged to the Japanese. Secondly, the Mission was assisted in their task by the fact that a capital levy in 1946 provided a census of the value and distribution of assets at more or less postwar prices. Thirdly, as a result of the Dodge Mission of 1948 the inflation had been halted, and the economy might be reckoned as virtually stabilised. Finally, since the end of the war the tax structure and its administration had already been partly overhauled, with American help, resulting in a very large increase in the relative importance of direct taxes, especially the income tax.

The foundations on which the Mission was to erect the new fiscal structure were therefore relatively firm. Moreover the site had been substantially cleared, for in an important sense the complete break with the past which the war and inflation implied, facilitated the work of the Mission. By the progress of inflation public debt charges had been virtually eliminated. It was evident that prewar values had become entirely irrelevant as a basis of taxation and any minor injustices which had existed in them could not unreasonably be disregarded in relation to the overwhelming change that had affected all values, more or less proportionately. The absence of those two greedy consumers of revenue — debt charges and defence expenditure — implied that the Mission had room to manoeuvre in their plans. The immediate need for revenue was not so pressing that they must hesitate to recommend a reform which would only bear fruit in the long period. Finally the considerations that the U.S. was in a very real sense continuing to underwrite the Japanese economy, and that recommendations sponsored by the occupying power would (to say the least) receive a high priority from the Japanese government, combined to put the Shoup Mission in an exceptionally favourable position as to the type of recommendations which they might make and hope to see adopted.

The tax structure which can reasonably be recommended for a country must clearly be governed largely by its degree of development. In this respect Japan stands somewhere between the highly industrialised countries of the west and the underdeveloped, or partially underdeveloped, countries of East and South-East Asia. The relative importance of her industrial sector far exceeds that of any other Asiatic country, but the typical firm is still the small family business, usually unincorporated. Important in the social and economic structure are "Co-living Families", similar apparently to the Hindu Undivided Family, which has given the Indian tax authorities much trouble in the past. It is not the sort of economy in which one might,

on *a priori* grounds, expect to be able to recommend a very large sphere for income and profit taxes.

Whatever may have been the case in 1940, Japan is now a country with a fairly large public sector. At the time of the Report total tax revenue at Y 780 bn amounted nominally to 26 % of the national income, but may have been less; this compares with 24 % in the U.S.A. and 38 % in the U.K. A further Y 100 bn of expenditure was covered by rents, trading receipts and so on. The central budget was running a small surplus; local budgets were not seriously in deficit, taking account of the fact that a considerable amount of new contruction, for such purposes as schools, was being financed from current revenue. Thus Japan's public finances, no less than the economy in general, could be considered as reasonably stabilised.

Although Japan is a unitary country, her local government sector is formally of considerable importance; at the time of the Report it was responsible for Y 380 bn of total public expenditure (including however loan expenditure), or 43 %. There are 46 prefectures and some thousands of „municipal" units. There is thus already on paper a three tier system of government, but in point of view of autonymous power it has amounted to very little, as budgets and tax rates were controlled centrally. It is a fundamental part of the Mission's recommendations that real life should be breathed into this structure, almost to the point of turning Japan into a federation. One incidental advantage of this attidude is that the Report will have a very wide interest for those engaged in the difficult task of allocating revenue sources and grant funds in countries which have, or are about to experiment with, federal constitutions.

Throughout the Report is written with great clarity and is notable for its firm theoretical structure, just enough of which shows through to convey to the intelligent administrator the reasons for the conclusions and recommendations. The general point of view is liberal in the best sense, even to the point of recommending the total repeal of Japan's customs duties (already rendered virtually inoperative through inflation). However, as we shall see, the refusal to recommend any indirect taxes other than excises does inevitably put great strain on the rest of the tax structure.

It is no doubt inevitable that the Mission should think primarily in terms of American practice and fiscal experience. This is apparent in such matters as the definition of income in terms of the change in the value of assets rather than in terms of a flow of earnings, in the implicit assumption that large profits retained in the business are mainly there to be subsequently distributed as capital bonuses and must therefore be discouraged — a policy which is harly consistent with the repeated emphasis on the need for industrial re-equipment

and new investment. The American point of view is also apparent in the indifference to the perpetuation of very small local government units, all of which are to be given extensive tax rights and wide social duties. On the other hand the Mission are well aware of some of the shortcomings of the American tax system, for instance in respect of the taxation of capital gains; and their repeated insistence on the need for the preparation and frequent publication of adequate statistical records is wholly admirable.

The recommendations of the Mission fall into three parts: (i) those concerned with the reform of the general administration of the tax system and with minor improvements in its structure, (ii) those concerned with intergovernmental fiscal relations and (iii) a series of recommendations designed to establish an integrated system of direct taxes, comprising a progressive personal income tax, (including full taxation and relief of capital gains and losses), a corporations profits tax, a tax on „net worth", a cumulative tax on capital acquisitions and inheritances and finally a „local inhabitants" tax, assessed on income.

This direct tax structure is the keystone of the whole Report, and is at once the most interesting and the most controversial section. It should be emphasized however that the Report is intended as a single integrated plan; the Mission feels very strongly that if any section is thrown over the balance of the whole will be destroyed. One has great sympathy with this point of view, but it is unreasonable to push it too far. It seems to the present reviewer that the edifice would still stand firm, even if alternative and perhaps more conservative solutions were adopted for the furnishing of some of the rooms.

II

The Mission's recommendations for the improvement of assessment and administration are mainly concerned with direct taxes, especially the income tax. In general a system of self-assessment, with universal filing of returns, and with witholding of tax from wage and salary incomes is advised. In the case of small businesses, and generally to encourage the proper keeping of accounts, special privileges (signalised by the use of a „blue form" for the return) are to be available where tax officers certify accounting practice to be satisfactory. Great importance is rightly attached to the provision of regular training for tax assessors and collectors, to the establishment of training colleges, to the employment of technicians (such as engineers) for the proper assessment of depreciation allowances, and generally to the improvement of pay and conditions in the tax administration. The weight given to these elements, indispensible for

an effective and equitable tax system, might well be pondered by those governments which are now experimenting with the introduction of income tax in somewhat primitive conditions, and who tend to become despondent at the high costs and small returns of the first steps of income tax administration.

The system of witholding recommended is similar to that now in force in the U.S.A. and would have several advantages over the British P.A.Y.E. system. Witholding would be carried out by employers on the basis of the *current expected income* of employees for the year, as returned by the taxpayers, and would be deducted in regular periodic amounts. In no normal case would the taxpayer be allowed to return less than his previous year's actual income; if incomes generally are rising the administration may direct that a suitable multiplier should be applied to this figure, in order to secure so far as possible that any slight unbalance will be in favour of the revenue. The final adjustment for the year will be the business of the revenue official and not of the employer; if an underpayment has taken place it will be witheld in the following financial year, in addition to the current quota spread over as many weeks as may be necessary to avoid hardship. For other payers tax would be collected in three instalments, the first two based directly on the return, all adjustments taking place in the final instalment which would nevertheless by collected in sufficient time to close most accounts before the end of the financial year.

An ingenious extension of the witholding system is suggested for farmers who, in Japan as now in many other countries, sell a large part of their produce direct to the government. Witholding is to take place against the periodic crop payments which would themselves form a reasonable basis of assessment. Taxpayments would thus be made in the manner, and at the seasons most convenient to the farmer; his normal propensity to overspend immediately after the harvest would be reduced.

Recommendations for the taxation of farmers link on to those for the treatment of fluctuating incomes, such as those of fishermen, authors, and (for the Mission) recipients of capital gains. This is a problem which I believe no government has yet solved successfully in practice. The trouble about such incomes is of course that in a year when income is high the taxpayer finds himself boosted high up in the progressive scale, and thus over a period pays more tax than the man who receives the same net income but at a steady rate.

The suggestion here is that the tax due on the abnormal income should be assessed only at normal rates, and paid gradually over a conventional but appropriate period — ranging for instance from five

years for fishing incomes to perhaps twenty for authors —. To guard against the difficulty of meeting the extra payment in lean years the taxpayer would in fact pay in the whole amount in the year the abnormal income was realised, and this payment would then be credited to him year by year over the appropriate period. Once again tax would be paid in the manner and at the time most convenient to the taxpayer. It is not anticipated that the number of taxpayers wishing to take advantage of this method — which would require the use of a special form of return — would be large, so that a small specialist staff could deal with the whole problem. It is not quite clear how the recipients of capital gains would fit into this category; in some circumstances their numbers might be very large.

III

The recommendations of the Mission for the reform of local and regional finance are of outstanding importance, both for their intrinsic interest and in view of the importance of educating the Japanese for democratic citizenship. The need for reform is great; as we have see up to the present local government has been mainly a façade; only one fifth of local expenditure is supported by local taxes and these are dictated as to type and rate by the central government. Moreover such local taxes as produce a sizeable revenue are shared by the prefectoral and local governments, so that there is confusion and double exactment for the citizen. Partly due to its typical rigidity, local revenue has been left standing in the inflation race, and recourse has been had by local authorities to a welter of "voluntary" contributions (which are thought to bring in some Y 30 bn) for urgent purposes, including works for which loans would have been available had confidence in the viability of local government not been shaken. In the response to these „voluntary" demands however the Mission finds some hope for the future. They have imposed a degree of self help in which local communities have not been found entirely wanting.

The general recommendations of the Mission are that local powers and duties should be substantially increased, that certain taxes should be allotted to municipalities and others to prefectures, so as to put an end to competitive exploitation, that local tax structures should be drastically simplified by the substitution of fewer taxes at higher rates for the 30 legalised and upwards of 75 unlegalised taxes at present operated. In addition the grantsubsidy structure is to be drastically overhauled, extended and given a definite redistributionary twist. A temporary Local Government Committee is to advise on a fundamental re-allocation of powers and duties between the three

layers of government, in order to put life into the autonomy which the financial reforms are designed to support; while a permanent Fiscal Commission of five (on which local government interests must be "adequately" represented) is to advise on local government matters and to watch over statistics.

In respect of the reallocation of powers and duties the Mission's criterion is that priority should be given to the lowest „competent" form of government, the central government undertaking only what others cannot do; this would imply in particular a very great increase in the responsibility of municipalities. Police and education are mentioned as services which should be unequivocably localised. Small municipalities (many of them are mere villages) and prefectures should be encouraged to amalgamate or cooperate but not much stress is laid on this.

Admirable as this programme may be from the democratic point of view one can foresee many difficulties. The degree of competence and technical appropriateness must differ enormously between munipalities of different size, but apparently all are to be treated alike. To English eyes at least, the diseconomies of small scale (for instance in attracting administrative peronnel of adequate calibre) to run such an atomized system of local government would seem to offset the democratic advantages; it may even be doubted whether sufficient powers would remain to the central government to implement an effective stabilisation policy.

Such a reallocation of powers would require substantial strengthening of municipal finances, and they are planned to receive additional tax powers worth Y 40 bn (or 25 % of their present revenue), apart from grants. The additional revenue is mainly to come from the reservation to local governments of two of the three present major local prefectorial taxes: the inhabitants' tax and the property tax, after substantial reform in each case.

The practice in respect of the inhabitants tax has been for the aggregate sum to be provided by each authority be fixed from above. Against this sum a poll tax has first been levied, the remaining revenue being then raised proportionately from the wealthier inhabitants and corporations taking account of apparent property and prestige as well as of presumed income. It is recommended by the Mission — first, that a definite ceiling (in yen) should be placed on the poll tax element, second that the main part of the revenue should be raised on the basis of individual income only. Assessments would follow the returns made for the national income tax, but local authorities would have the choice of levying their "centimes additionels" either (a) as a flat addition to the national tax at a rate not exceeding 20 %, (thus taking over exactly the dependants'

allowances in the national tax) or (b) as a separate progressive tax merely using the national assessments for convenience with or without offsetting of national tax liability; if the former the maximum local rate would be 20 % if the latter 10 %. The inhabitants tax would thus become preponderantly a straight local income tax; it would not be obligatory to make much (or perhaps any) use of the poll tax element, and the wealthier authorities would presumably not bother about it.

The revenue derived from the property tax has been entirely disrupted by the inflation and rent control on the one hand and by difficulties of collection on the other; at a rate of 500 % it now only yields Y 14 bn. The tax has in intention been a general levy on property; it is now to be confined to real estate, including however depreciable assets such as machinery but excluding inventories. The basis, at present annual value, is to be changed to capital value, in order to allow of the proper treatment of depreciation, and further to act as a check against overvaluation for the national taxes based on capital (see below p. 19). The tax would be assessed on owners, but a sufficent rise in the controlled rent ceiling would be allowed to recoup them; it is estimated that the average incidence of the tax would rise from. 7 % to 1.6 % of income. Even at the latter level it is extremely mild compared with either the U.S. property tax or the U.K. local rate, but of course neither of these is accompanied by local income taxes to the same extent, in the U.K not at all.

For the property tax to work effectively it would be necessary to undertake a complete revaluation of assets; this will in any case be necessary for some of the reformed central taxes. The Mission suggest a simple but rough method of carrying this out. It is proposed that the prewar rental values (presumably roughly known from property tax records) should first be the multiplied by 200 to allow for the change in the value of money and the result by 5 to turn annual into capital values. Farm lands, which change hands only at officially controlled prices, are to be valued at those prices. Subsequent valuations would be carried out annually.

Local property taxes based on capital values are of course very common throughout the world, but few if any attempt such an elaborate system of valuation, and especially for small authorities, it would be a costly business. The British local rate has a long history of attempts to include depreciable assets along with land and buildings, but all attempts to do so were eventually abandoned because of valuation difficulties and consequent interlocal variations. It will however be more convenient to postpone discussion of the difficult question of capital valuation until we are dealing with the national direct taxes for which it is an even more essential feature.

The third important local tax, now known as an Enterprise tax, is to be completely transformed and reserved for the prefectures. It will now be a „Value Added" tax, that is to say it will be assessed on the difference between the cost of materials and equipment acquired during the year, and outpayments in respect of wages and salaries, rents, interest and profits. There is a great deal to be said for a tax of this type compared with the customary sales or turnover tax operated by parallel government units in many countries. It does not, like a sales or turnover tax, lead to pyramiding or discriminate in favour of the integrated firm; it is probably easier to assess than an income tax because no question of depreciation quotas comes in, and on the whole it encourages investment, since the purchase of capital equipment within the year directly reduces tax liability. On the other hand the greater part of the burden would no doubt be passed on to consumers in the form of high prices; it would in this respect operate as a non-selective sales tax, of a heavily regressive nature.

One cannot but admire the skill with which, at a very moderate increase in revenue demands, the whole subject of prefectoral/local taxes has been cleaned up and rationalised by the Mission, and, when taken in conjunction with the reformed grant structure, the foundations of local financial autonomy have been securely laid. The most critical point is the weight put on the local income tax, which is planned to bring in Y 60 bn, as compared to Y 52 bn from the property tax (and Y 44 bn for value added tax). The income tax is of course much the most disequalising as between rich and poor areas of the three especially as a not inconsiderable element of progression is made available to the local authorities, and, as we shall see, the central taxes are to be adjusted so as to make room for this. The difficulty of splitting incomes equitably between different authorities, which always arises in a local income tax will be intensified by the very small size of many of the tax jurisdictions. One would have thought that this tax would have been more appropriate for prefectures than for local authorities.

No less important than the reallocation of taxes to the lower layers of government is the proposed reform of the grant (or subsidy) system. At present grants are no less chaotic than local taxes. There are two broad categories; (i) a miscellaneous collection of specific grants, totalling Y 80 bn, and (ii) a block grant formed by the distribution of part of the revenue from the national income tax, amounting when the Report was written to no more than Y 57 bn. The first category includes 350 different grants coming from 14 different Ministries. Broadly speaking they were of three varities: (a) 100 % grants in which the local authority was virtually acting

as an agency for the central government, but evidently with a quite inadequate system of control, (b) percentage grants, usually 50 %, the rationale of which was either that the grant aided service had both a national and deat significance, or that help would stimulate local activity and (c) grants for public works, to repair either war damage or the ravages of natural disasters to which Japan is especially prone.

The method followed for the distribution of income tax revenue was roughly similar to Indian practice [2]) (except that the proportion distributed was very much lower in Japan [3])), but the Indian distribution has at least the merits of being known in advance, and of being slightly equalising. In Japan the amount available has been entirely unpredictable; it was recently halved without any notice, and no apparent formula has been used. This type of grant, (or rather revenue assignment) is in general very unsatisfactory; the total available for distribution is likely to be highly fluctuating and the inevitable instability of progressive taxes, which can be safely borne by national governments, is thus transmitted to local governments for which it is quite inappropriate. It is therefore not surprising that the Mission recommends the total abolition of the system of income tax distribution, in favour of a new Equalisation grant. Preponderant emphasis in the grant structure is to be laid on this, which would initially be worth Y 120 bn to the local governments. In contrast only Y 15 bn is to be set aside for specific percentage grants, which would be definitely promotional; the central government is itself to undertake the works which are now ineffectively handled through 100 % grants.

The Mission's recommendations for the Equalisation grant are among the most interesting in the whole Report. In recent years many countries, including conspicuously the U.K., Canada and Australia, have experimented with grants of this nature without achieving complete success in solving the basic problems, of first, not wasting money by giving positive grants to the wealthy units, who, especially in a federation, often have to be bribed to gain their agreement, second, of giving enough to the poorest authorities to restore their opportunities without giving a stimulus to irresponsible spending, and third of finding a suitable basis for measuring relative taxable capacity on the one side and relative need on the other.

In principle the Shoup plan would achieve all of these; but doubts must arise concerning the practicability of the proposed yard sticks, we cannot do better than quote: "The amount to be paid

[2]) As laid down in the Revenue Distribution Ordinance of 1947, and subsequend legislation.

[3]) 17 % as compared with 50 %.

to each locality would be its calculated total need for revenue, assuming that it is to perform standard services on a reasonable but minimal basis, minus its calculated financial resources expressed as the yield of available taxes at reasonable standard rates". There would thus be two sides to the formula, one measuring relative wealth and the other measuring needs (unit costs multiplied by the number of units of service to be supplied).

For certain taxes the "calculated financial resources" part of the formula would not be impossible to carry out, thus the „yield of a penny rate", is a frequently used measure in British local finance; but the Japanese taxes would not be at all so easy to measure objectively as one based solely on land and buildings, and where the valuation system is uniform. One can foresee squalls in the treatment of depreciation for the property tax especially; the yield of a sen on the inhabitants tax would hardly supply a more stable basis since there with be differences both in the method a assessment and in the degree of progression. On the expenditure side the practical difficulties seem to be even more formidable. In every service „unit costs" are the result of a great number of variables, even where a satisfactory "unit" can be found, which may by no means easy. Thus education costs vary with such factors as the size of the school, standard of attendance, age and sex of teachers, as well the standing charges in respect of the buildings and other equipment. Obviously none of the components of the formula could be calculated effectively (if at all) until statistics had been kept for a number of years. Initially therefore the Mission relies on conventional method which may not after all work out much more scientifically than the "second best" on which other countries have fallen back.

Equally important with the interlocal distribution of the grant is the question of the total available for distribution. Here again initially the Mission takes a short cut; the amount is substantially to exceed the present distribution of the income tax revenue, but is to be fixed by the centre. Eventually however the total would not be fixed since it would vary with the units of the various services provided, and in particular would vary anticyclically, since the ontlay for relief, which is a local responsibility, would inevtiably rise in depression. The total grant required would be estimated and announced by the central government at the beginning of the year, and delivered to the local authorities quarterly on the basis of this estimate, the final adjustment for actual expenditure being made in the last quarter. The central budget would thus bear an uncertain element to the end of the year, but the variable element should be smaller than in the new British Equalisation grant established under the Local Government Act 1948, where the local quota depends on rateable

value per head [4]) multiplied by the rate poundage, so that the grant is based on the local propensity to spend, and not on standard costs. On the other hand the most disequalising services in Britain (relief and hospitals) have now been transferred to central responsibility.

As we have seen the local government sector in Japan is already potentially large for a unitary country. These arrangements are intended to enable, indeed to encourage, it to become still larger. Apart from any political advantages in this process (and the need for a three tier type of government is by no means clear), there are two possible economic disadvantages. First, the cost of local government in uneconomically small areas will be high; many of the costs of federal government are being laid on a country in which there is no apparent need for them. The population is homogeneous and it has never been suggested that a unitary constitution is likely to break down. Secondly, the transfer to local control of so many valuable revenue sources may set up a serious strain on the central budget when normal expenses for defence and debt services have to be faced. Presumably the answer would be a return to the foregone customs duties.

IV

We come now to the direct tax proposals for the central government, which as we have seen form a single integrated plan, comprising (i) a personal income tax with a progression ranging from 20 % to 55 % of net income, capital gains being treated as income to a full 100 % and capital losses as deductions; (ii) a tax on „net worth", or the difference between the assets and the liabilities of the individual or firm, which is put forward as a substitute for the higher ranges of surtax; (iii) a corporation tax of 35 % of net profits, with generous allowances for depreciation and for carrying losses forward and back, and (iv) a tax on gifts and acquisitions which would be cumulative over the individual's lifetime. It will be seen that this programme is of first importance and that it departs further from orthodox western practice than the recommendations in respect of central/local finance.

Since this programme makes heavy demands on capital valuation a pre-requisite is a general revaluation of all assets. Since the depreciation of the yen has been of the order of 200fold or 300fold, for anything except straight income and profits taxes, or the piecemeal valuation of estate taxes, such a process is really inevitable. It is

[4]) More precisely on the difference between local rateable value per head and the national average; areas with rateable value per head at or above the average receive only temporary "compensation" grants.

proposed that the revaluation shall be effected on the basis of self-assessment of the value of assets, as at 1st July 1949, the returns to be filed by 1st September 1950. The value of all depreciable assets, taken at cost less depreciation, is to be written up by the ratio of the change in the general price level and the age of the asset. A further year is to be allowed for the revaluation of agricultural land; other non-depreciable assets are to be revalued only when they are sold or change hands at death.

Although the appreciation thus calculated would consist almost wholly of paper gains a tax of 6 % is to be imposed on the written up value; this is to be discharged in three annual instalments of 50 %, 25 % and 25 % respectively. It is hoped that this tax will neutralise the propensity to overvalue the base from which future capital gains will be calculated, and there are other safety devices to compensate for the adoption of self-assessment. For each industry a checking committee is to be established whose membership would consist as to 50 % of industrialists belonging to the industry and 50 % of civil servants and academic economists. (No mention is made of professional valuers, presumably the profession is not established in Japan). Further any tendency to overvalue (and so qualify for bigger depreciation allowances in income and corporation taxes) will be further restrained by the fact that the new values will be the basis of the reformed local property tax and the new national tax on net worth.

No general valuation of property at prewar values is available, but it may be supposed that the census for the capital levy of 1946 will be of some assistance. In many cases however there must be great difficulty in determining dates of acquisition. Such a general write up of assets is not a new idea. Mussolini for instance encouraged Italian industrialists to undertake it, but the change in values involved was very much smaller and little fiscal weight seems to have been put on the results [5]). These are difficulties of *revaluation;* inescapable difficulties of *valuation* remain. Long experience with British death duties shows how extremely hard it is to establish with equity the asset value of the capital employed in a business where recourse cannot be had to stock exchange quotations.

No doubt somewhat lower standards of valuation than those obtained in British death duties would be acceptable in Japan; but the injury caused by faulty valuations depends very much on the use to which they are to be put. We may therefore leave aside the Mission's proposals for the reform of personal income and corporation taxes, (apart from the treatment of capital gains and losses), which are

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[5]) Cf. Hicks, Hicks and Rostas, The Taxation of War Wealth p. 242.

on familiar lines, and turn at once to the consideration of the capital taxes.

The least controversial of these, and perhaps the most important, although the revenue expected is negligible (Y 2 bn), is the cumulative tax on gifts and accessions. A few years ago, no doubt at the suggestion of the occupying power, the Japanese adopted the American system of one tax on gifts and another on accessions. The Mission is well aware of the high rate of evasion of these taxes in the U.S.A., so they recommend the Japanese to throw them overboard immediately, and to substitute instead a single cumulative tax at a uniform rate, (except that rebates would be allowed on inheritances to take account both of kinship and of expectation of survival, with a specially large rebate for spouses to give ackowledgement of their share in creating the estate). The progression would reach 90 % at the highest increment, with an average rate at that point of 80 %. These high rates are defended on the ground of the non-disincentive character of the tax.

Two advantages are claimed for this tax: first that it eliminates the tendency to evasion through gifts *inter vivos* (since the rate of tax would be the same), and second that it promotes the splitting up of estates, since smaller gifts and bequests would attract lower rates of tax. It cannot however be said that a simple estate tax does not cause the splitting up of estates, at least if it is reasonably high. A recent investigation [6]) of English estates passing at death found that most of them were split into a large number of pieces, and even where there was a single „main bequest" it was rare for it to exceed 30 % of the post tax value of the estate, even at moderate rates of tax; at really high rates it tended to be much smaller. British experience also suggests that the problem of gifts *intervivos* can mainly be looked after by extending to five years [7]) the period within which they will be counted as part of the estate. Moreover valuation is unquestionably more certain and equitable for a straight estate tax, where valuation takes place at a single date, than where a running account of transfers must be kept and separately valued. Above all the revenue to be derived from an estate tax enormously exceeds that from accession duties, at each rate of tax.

The choice between these two systems of capital tax must therefore rest on grounds of administrative convenience and equity on the one hand and on the need for revenue on the other, rather than on their respective effects on the concentration of property.

The proposed tax on "net worth" is not without precedent; it is

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[6]) Oxford Economic Papers June 1950.

[7]) One year in the case of charitable requests.

a near relation of the "Vermögensteuer" operated in Germany under the Weimar Republic, and in some Scandinavian countries; it is recommended for Japan as a substitute for the upper ranges of surtax — the new maximum incremental rate in this is to be 55 % in place of the present (no doubt largely ineffective) 85 %. The net worth tax is to be assessed on capital, but levied at quite low rates — a range of from ½ % to 3 % is suggested — so that it is expected to be paid out of income. Several advantages are urged for this tax in place of surtax. It would be less disincentive than high surtax rates; it would leave more room for progression in the local inhabitants tax; it would ensure that a riskless investment would pay at a higher rate than a risky one, (in the sense that the shares would usually tend to stand higher): Finally it would tend to check hoarding since the retention of profits would not facilitate tax evasion.

It is claimed that the problem of valuation of assets for this tax woul not be formidable since there would be help in several directions. Land and certain durable assets will have to be valued for the local property tax; industrial assets will come under the general write up, and in time (but only after a considerable number of years have elased) there would be mutual assistance from experience with the acquisitions tax. This last seems to be a genuine point, but for the rest, while it is no doubt convenient to "spread one's overheads" in the cost of valuation over a number of capital taxes, any inequities or errors will only thereby be multiplied. It is indeed claimed by those who have had experience of it [8]) that the problem of valuation for the German Vermögensteuer was not so very serious, but personal responsibility for the valuations was much smaller and normally stood for three years.

What is suggested for Japan is that there should be annual self-assesment, all taxpayers having property of Y 500.000 and over being required to file balance sheets annually as well as income returns. It is no doubt a great assistance to the administration of both surtax and death duties that the revenue authorities should keep themselves informed as to the main assets held by the wealthier tax payers, (the British Inland Revenue manages this fairly comprehensively without extracting formal returns); but it is another matter to call for precise valuations of such doubtful items as depreciation and bad debts, from individuals and small businesses who do not keep adequate accounts. The difficulties as compared with an income tax are formidable, both for the taxpayer making the return and for the revenue officials attempting to check it.

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[8]) For instance by Prof. F. Neumark.

The extent of inequity caused by errors and evasions depends of course largely on the revenue which it is intended to extract; the Mission do not look for much revenue from the net worth tax, and indicate that they would not be shocked by as little as Y 2 bn. It must be borne in mind that the net worth tax is put forward as an alternative to surtax rates in excess of 55 %. The fact that after only a very few years' experience the higher ranges of surtax are not working smoothly does not indicate that they might not do so after more experience had been gained, both by taxpayers and their accountants, and by the revenue officials; nor does it give specially good ground for believing that a net worth tax would be a greater success. That it would be less disincentive is obvious, because the effective progression would be lower, and the revenue probably also lower than at present. Surtax rates however could also adjusted to achieve these results.

Capital valuation is also required for the taxation and relief of capital gains and losses in income and profits taxes. As we have seen gains and losses are to be measured henceforth from the 1949 written up values. The full inclusion of capital gains and losses in income tax "is one of the most emphatic of our recommendations" says the Mission, and again "without full inclusion the whole income tax structure is seriously weakened". For a non-American to understand this point of view it is necessary to bear in mind American experience in capital gains taxation.

Capital gains are included in American income tax in a manner that is recognised by the Mission (and by most candid Americans when they are not thinking as taxpayers) as most unsatisfactory. Only realised capital gains are taxed; they bear a flat rate of 25 % (in place of surtax maximum of 75 %) and the relief of losses is quite unsymmetrical. There is thus no means of taxing at any higher rate than 25 % substitutions of capital receipts for income which are blatant evasions of surtax. The propensity to accumulate capital is accentuated by the fact that property which is transferred at death without being sold is not subject to the capital gains tax, while on the other hand there are many goods ways of evading death duties.

What the Mission proposes for Japan would be a great improvement on this. Capital gains are to be treated as if they were fluctuating income (see above p. 203). Tax at normal rates would be paid in the year in which the capital gain was realised, but would be spread as a credit over a conventional averaging period (15—20 years). Relief for capital losses would be on broadly similar lines. So far as I know no country has attempted a tax of this nature, and if we feel that we can swallow the capital valuation problem, it should at least be carefully considered. It is however reasonable to ask, first

whether the inclusion of capital gains in income tax is a good thing in itself, and secondly whether it is, as the Mission claims, a necessary adjunct of an effective surtax.

It is evident that capital gains may arise from a number of different causes, and as regards their eligibility for taxation they are by no means on all fours. There is in the first place the income stream which is made up almost wholly of differences in the prices at which assets are acquired and disposed of, such as that of the stockjobber. In spite of its peculiar composition this is a true income stream, and no one would dream of leaving it outside the orbit of income tax, although there may of course be awkward marginal cases. Hence what capital gains taxes are concerned with are casual capital gains, which may accrue either to particular individuals, or more generally it they are due to a particular set of circumstances, such as a fall in interest rates or a change in the value of money.

Capital gains due to a change in the value of money are largely paper gains, and heavy taxation of them would seem to be unjust. Indeed in circumstances in which they are realised the ordinary income and profit taxes will probably be already impinging on capital due to the inadequacy of depreciation quotas geared to the old prices. Under modern conditions where a large change in interest rates occurs it is likely to have been engineered by the government or the monetary authorities as part of an expansionary monetary policy; it would be illogical to tax away part of the stimulus to expansion. Nor is it necessary on grounds of equity so long as there is a sound estate duty in operation; the change in capital values will quickly be reflected in revenue.

The pressure for the taxation of capital gains springs usually from two motives, (i) the desire to prevent the accretion of "economic power" in the hands of a few, or (ii) the desire to prevent evasion of surtax by the wilful substitution of capital for income, which, as have seen is directly encouraged by the American capital gains tax. It is evident that it is individual rather than general capital gains which are relevant here [9]) and it must be borne in mind that it is only realised capital gains that can be reached by the tax. This implies that many gains will escape taxation until the gentler (because less personal) hand of death duties is laid upon them, while other gains will be received, or will have to be realised (as in a distress sale) at a moment when the tax is by no means convenient to the taxpayer. There is thus some inherent inequity in the tax.

The wilful substitution of capital for income is a problem that

[9]) Which is indeed acknowledged by The Mission, since the fluctuating income method of assessment is only planned to embrace a small number of taxpayers.

besets all direct tax revenue authorities to a greater or less degree. There is however a considerable body of experience to show that this method of evasion can be held down by charging undistributed profits at full surtax rates where they are clearly an evasion of surtax, and putting the onus on the taxpayer of proving that the reserves are essential to the business. In the U.K. experience shows that this end can be achieved without announcing the precise conditions in which the screw will be applied — and excellent relations exist between the revenue authorities and the body of taxpayers. It can also hardly be doubted that in spite of the absence of a capital gains tax the British income tax edifice is an extremely robust one [10]). This method also has the advantage that "capital gains" are taxed as they accrue, whether or not they are realised, while sparing those which are genuinely required for the development of the business.

The experience of India is perhaps even more relevant in this connection, especially as the degree of development in the industrialised sector is probably very similar to that of Japan. India experimented with a capital gains tax after the war, but withdrew it after less than three years' experience, in favour of the taxation of excess accumulation of reserves at full surtax rates in the British manner. In India precise terms were laid down to determine the excess in relation to the capital employ ed in the business. It should be noted that India has a much longer experience of income taxes than Japan, the first income tax having been introduced in 1863, and the system thoroughly modernised in 1937.

There remains the problem of the concentration of "economic power". It can hardly be claimed that the process of concentration due to capital gains can amount to more than a small corner of the field; it seems unlikely that capital gains have played in important part in building up the reserves of the giant American corporations which have recently been before the courts on suspected abuse of monopoly control. In earlier times, and especially before federal income tax made itself felt, large individual fortunes may have owed much to capital gains, but that was before the days when they could have been reached by effective federal income tax. Further it is not clear what type of anti-social power can how be exercised by the individual whose fortune has been built up in this way. There seems also to be an unplicit assumption that political power is closely correlated with wealth. If so this is a political and constitutional, rather than a fiscal question, and American experience need not be repeated

[10]) In fact the shoe is on the other foot, as an ex-Commissioner of Inland Revenue has recently written "The greatest curse of this country (Britain) may yet prove to be the efficiency of its remorceless tax machine" (S. P. Chambers, Taxation & Incentive, Lloyds Bank Review, April, 1948).

elsewhere. In many countries now-a-days dangerous concentration of economic power is much more likely to be found in the hands of those responsible for the direction of nationalised industries and trading departments, than among the few surviving millionaires. This is obviously not a fiscal problem.

Although the Shoup Mission claim that the full taxation and relief of capital gains and losses is a *sine qua non* of their direct tax structure, it is hard to believe that the edifice would be in danger of collapse without it, so long as unreasonable undistributed profits were taxed at full surtax rates. If at the same time the net worth tax were substituted by rates of surtax slightly higher than 55 % (a revenu of Y 2 bn would not be hard to beat) the weight put on doubtfully practicable (and hence inequitable) capital valuations would be reduced to reasonable proportions with no loss of revenue. It is after all not surprising that the Japanese are making heavy weather with rates of surtax which are far higher than other countries *started* with, after only about three years' experience. It is surely wiser not to ask them to learn new tricks before they have mastered the old ones.

Even if the proposed relative proportions of direct and indirect taxes were altered somewhat in favour of the latter relative to what is proposed would it matter so very much? Is it not better to concentrate on taxes that can surely be collected with equity and which *seem* fair than those cannot and do not? The administration of direct taxes is notoriously difficult. The British Inland Revenue administration started in 1797; even the American Bureau of Internal Revenue has been going since 1913. And is it to be expected that the Japanese will long remain the only people in the world with out customs duties?

Oxford, March 1951.

LA RÉFORME DU SYSTÈME FISCAL AU JAPON

L'ouvrage dont un compte rendu est donné ci-après, est un Rapport préparé par sept spécialistes américains en matière de finance, à la suite d'une mission dont ils avaient été chargés au Japon afin d'élaborer un projet de structure fiscale permanente au Japon, structure englobant tant les administrations préfectorales et locales que le Gouvernement National. Ce Rapport présente un intérêt tout spécial; il est remarquable par les théories solides qui lui servent de base; ses tendances sont en générales libérales, marquées au coin de l'expérience acquise en Amérique. Les recommandations qu'il renferme sont divisées en trois parties: 1) questions générales d'administration fiscale; 2) réforme des relations fiscales intergouvernementales; 3) suggestions relatives à l'établissement d'un système adéquat d'impôts directs pouvant constituer le principal instrument fiscal de l'économie nationale.

En ce qui concerne l'„income tax", le Rapport recommande la retenue à la source sur tous les salaires et traitements, sur la base des revenus, ainsi qu'il est procédé actuellement aux Etats-Unis. De manière ingénieuse, ce système est étendu aux agriculteurs. L'„income tax" est retenue sur les paiements périodiques des récoltes que leur fait le gouvernement. Les recommandations comprennent un intéressant schéma de taxation des revenus variables. Le paiement de l'impôt doit avoir lieu dans l'année où le revenu anormal a été reçu, mais le montant sera porté au crédit du contribuable suivant une base moyenne sur une période appropriée pour chaque type de revenu, par exemple 5 ans pour les pêcheurs jusqu'à 20 ans pour les écrivains.

Les recommandations présentées par la Mission au sujet de la réforme des finances municipales et des finances préfectorales sont d'un intérêt tout spécial, non seulement parce qu'elles viendront substituer l'ordre au chaos actuel (30 impôts légalisés et plus de 75 impôts légalisés actuellement), mais encore parce que dans l'intérêt de la démocratie il est proposé, en substance, de relever la part des autorités locales dans les finances et dans l'administration du pays. Les administrations municipales recevront au moins 25 % de plus en impôts sur le revenu et, en outre, des allocations importantes provenant du budget central.

Le système consistant à partager les impôts entre les administrations municipales et les administrations préfectorales sera abandonné. Les principaux impôts municipaux seront à l'avenir: 1) un impôt personnel étant, dans une certaine mesure, une „income tax" locale pour le calcul duquel un important taux progressif sera autorisé à la discrétion des administrations locales (cet impôt sera, de loin, le

plus important impôt non central); 2) un impôt local sur les propriétés (local property tax) qui affectera seulement les propriétés foncières et dont l'assiette sera les biens de capital („capital values"). La révaluation nécessaire sera exécutée en multipliant les valeurs locatives (rental values) par 200 pour tenir compte du changement de valeur de l'argent, et par 5 pour transformer les valeurs annuelles en „capital values". Le principal impôt préfectoral sera une „value added (production) tax" (impôt sur la plus value) dont l'assiette sera la différence entre les frais d'équipement et de matériel acquis pendant l'année, et les paiements en salaires, traitements, loyers, intérêts et bénéfices. Ce serait, pratiquement, un impôt non-sélectif, un „non-pyramided sales tax", et serait sans doute récupéré sur les consommateurs; il aurait donc un caractère régressif prononcé. Il tendrait également à distinguer les firmes qui payent des montants élevés ou faibles en salaires. A d'autres points de vue, il présente d'importants avantages.

Au lieu de plus de 400 allocations différentes attribuées à des administrations locales par les départements centraux, la plus grande partie de cette aide revêtira la forme d'un simple „Equalisation Grant" (allocation d'égalisation) basée, pour chaque administration, sur la différence entre ses „Basic Finantial Needs" et ses „basic Finantial Resources". Eventuellement, l'ensemble de ces différences déterminera le montant total de l'allocation, mais aussi longtemps que la situation des finances nationales demeure tendue, le total sera fixé comme moyenne, de sorte que les différences détermineront seulement les parts relatives des différentes administrations. Bien que l'„Equalisation Grant" soit excellent en principe, il est permis de douter qu'il soit possible de déterminer de façon objective soit les besoins financiers moyens de base des différents services dans les différents secteurs, ou les ressources financières de base d'une manière qui soit indépendante de celle qui sert aux différentes administrations à établir et à percevoir leurs impôts.

Le projet de système intégré d'impôts directs comprend (outre l'impôt personnel cité plus haut): 1) une „personal income tax" à augmentation progressive de l'ordre de 20 % à 55 % du revenu net, les augmentations de capital étant traitées entièrement sur le même pied que d'autres revenus et sans déduction des pertes; 2) un impôt sur la „net worth" (valeur nette) p.e. le capital, ou la différence entre l'actif et le passif des sociétés ou des personnes; 3) une „corporation tax" de 35 % sur les bénéfices nets, prévoyant de larges remises du chef de dépréciation et des réserves pour pertes subies ou à subir; 4) un impôt sur les donations et acquisitions, qui sera cumulatif du vivant de la personne.

Dans la structure de l'impôt direct il est donc attribué une très grande importance à l'évaluation exacte de l'actif. L'impôt relative-

ment simple sur les donations et acquisitions posera beaucoup plus de problèmes difficiles qu'un impôt sur les successions, car un compte courant devra être tenu pour chaque contribuable. (La Mission marque une préférence pour cette dernière taxe parce qu'elle favorise un morcellement plus rapide des biens que ce n'est le cas par l'impôt sur les successions). La préférence est donnée à la „net worth tax" plutôt qu'aux tarifs progressifs plus élevés de „surtax", comme étant moins onéreuse pour le contribuable et laissant aux autorités locales plus de possibilité d'introduire la progression dans l'„inhabitant tax" (une tendance de forte progression dans cet impôt ramènerait chez le contribuable l'élément de découragement dans une mesure qui ne permettrait plus un contrôle facile de la part du gouvernement). L'estimation de la „net worth tax" a lieu au moyen des déclarations annuelles faites par les contribuables. Il semble que cette méthode cause plus de difficultés au contribuable dans l'estimation des valeurs, et aux autorités de contrôle que ce n'est généralement le cas pour des impôts capitalistes, et des difficultés considérablement plus grandes que pour la „surtax". En général il semble qu'il y ait à craindre que la difficulté des évaluations de capital ne vienne, pour plusieurs impôts, multiplier de façon sérieuse les conséquences d'erreurs et ne donne lieu à un traitement peu équitable de contribuables dont les propriétés sont de natures différentes.

Le projet de la Mission relatif à un impôt sur les augmentations de capital représenterait une amélioration considérable de l'impôt en vigueur actuellement aux Etats-Unis. L'inclusion totale des augmentations et des diminutions de capital au revenu imposable augmenterait sensiblement l'amplitude des fluctuations de revenus. En conséquence, il est proposé d'adapter le projet pour l'imposition d'autres revenus sujets à fluctuations (voir plus haut) pour inclure seulement les augmentations de capital. Bien que le paiement doive avoir lieu dans l'année où les augmentations s'accroissent, il sera porté au crédit du contribuable sur une période de 15 à 20 ans. La Mission attache une grande importance à l'impôt sur les augmentations de capital pour perfectionner la structure des „income taxes". Toutefois, dans les circonstances qui règnent aujourd'hui au Japon, nombre d'augmentations imposables ne sont que des augmentations sur le papier et peuvent aussi être des pertes en réalité. Il sera également difficile de déterminer les valeurs qui devront servir à estimer les augmentations et les diminutions de capital futur. On pourrait se demander s'il ne serait pas plus aisé d'atteindre ceux qui, délibérément, se soustrayent à la „surtax", en substituant les augmentations de capital au revenu (but réel de l'impôt proposé) au moyen du mécanisme de la „surtax", en frappant de taux progressifs l'accumulation excessive de réserves, sans créer un système compliqué de taxation et de perception d'un impôt sur les augmentations de capital.

METHODOLOGISCHE PROBLEME DER STEUERINZIDENZTHEORIE

VON HORST C. RECKTENWALD

Mainz

I

Die Lehre von der Steuerinzidenz hat in methodologischer Hinsicht besondere Schwierigkeiten zu überwinden. Zunächst stellt sich die Frage, ob man auf *deduktivem* Wege oder *induktiv,* mit Hilfe *empirisch-statistischer* Untersuchungen, zu allgemeinen Aussagen über mögliche und wahrscheinliche Überwälzungsvorgänge gelangen soll. Wählt man die erste Untersuchungsmethode, so wirft sich sofort die Frage nach der Art der Analyse des Steuerüberwälzungsphänomens auf. Sollen die Probleme der Steuerinzidenz durch *partielle* oder *totale* Analyse oder, mit anderen Worten, im mikro- oder makroökonomischen Bereich gelöst werden?

II

Betrachten wir zunächst die *deduktive* Methode. Der Streit [1]) um die begriffliche — und zwar materielle, mehr aber noch zeitliche — Abgrenzung der Steuerüberwälzung und — inzidenz von den anderen wirtschaftlichen Wirkungen des Steueranstosses (z.B. den sonstigen

[1]) Mit Recht weist *Mann* in seinem Referat während der Verhandlungen des Vereins für Sozialpolitik im Jahre 1926 in Wien daraufhin, dass „in einem nicht minderen Grade..... die Strittigkeiten des Überwälzungsproblems dem Umstande (entspringen), dass nicht einmal über das zu analysierende Phänomen eine Einigung zu erzielen war." Schriften des VfS. Bd. 172, S. 276. Diese Feststellung gilt heute in erhöhtem Masse. Vgl. hierzu u.a. *Haig,* R.M., Artikel „Taxation" in: Encyclopaedia of the Social Sciences, Vol. XIII/XIV, New York 1950, *Neumark, F.,* Theorie und Praxis der modernen Einkommensbesteuerung, Bern 1947, S. 143-165, *Groves, H. M.,* Financing Government, New York 1948 und *Recktenwald, H. C.,* Zur Lehre von der Steuerüberwälzung und den Steuerwirkungen, in: Finanzarchiv, Bd. 13, Heft 1 (1951).

Abwehrprozessen oder allgemeinen Steuerwirkungen) hängt eng mit der Frage zusammen, ob das zu untersuchende Inzidenz-Phänomen aus dem Gesamtzusammenhang der Volkswirtschaft herausgenommen und isoliert untersucht werden soll oder nicht. Bei einer *Totalanalyse*, die sich mit dem Gesamtbereich einer Volkswirtschaft beschäftigt, wird man offensichtlich geneigt sein, den Inzidenzbegriff weit zu fassen, und möglichst die Gesamtheit der ökonomischen Auswirkungen einer Steuerauflage und zumindest gewisse Wirkungen einer Wiederausgabe der Steuermittel durch den Fiskus in die Untersuchung einbeziehen. Im Gegensatz zur Partialanalyse kann hierbei in ausreichendem Masse berücksichtigt werden, dass die reale Volkswirtschaft ein grosses interdependentes System ist, in dem alle Einzelwirtschaften — Haushalte und Betriebe — und die Staatswirtschaft zusammenwirken, voneinander abhängen und sich wechselseitig beeinflussen. So besteht der grosse Vorteil dieser Untersuchungsmethode darin, dass nicht nur die direkten Beziehungen zwischen Steuerzahler und Steuerträger (als Produzent und Konsument) oder zwischen den Vertretern verschiedener Produktionszweigen untereinander, sondern auch die Wirkungen der Steuer auf Einkommen, Konsum, Sparen und Kassenhaltung und die Rückstrahlung der Steuerverwendung auf die Faktoren, die die Überwälzbarkeit bestimmen, geprüft werden können. Alle mittelbaren Folgen der Steuerauflage werden damit ebenfalls berücksichtigt.

Für eine solche gesamtwirtschaftliche Untersuchungsweise der Steuerüberwälzung eignet sich neben der totalen Gleichgewichtsanalyse [2]), die den strukturellen Aufbau der Wirtschaft im Querschnitt darstellt, die neuerdings stark in den Vordergrund tretende Kreislaufbetrachtung. Letztere erlaubt einen Längsschnitt durch den Wirtschaftsprozess und lässt in anschaulicher Weise die Gesamtzusammenhänge hervortreten [3]).

Bei *Ricardo* finden wir bereits Ansätze der gesamtwirtschaftlichen Betrachtung. Er frägt u.a. nach der Möglichkeit und dem Umfang der Steuerüberwälzung bei drei Gruppen von Einkommensbeziehern, den Kapitalisten, Grundeigentümern und Arbeitern, und versucht, die Grenzen ihrer steuerlichen Belastbarkeit und die Einwirkungen der Besteuerung auf das Volkseinkommen festzustellen [4]).

Dieses Untersuchungsverfahren ist u.a. von *Wicksell, Sensini, Amonn, Strigl und Engländer* [5]) angewandt worden, die vorwiegend

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[2]) Vgl. *Strigl, R.*, Zur Theorie der Steuerüberwälzung, in: Die Wirtschaftstheorie der Gegenwart, Wien, 1928, 4. Bd., S. 188-204.

[3]) Siehe Seite 231.

[4]) Vgl. hierzu auch Shoup, C. S., Ricardo on the Taxation of Profits, in: Finances publiques, 2e trim., 1950.

[5]) *Engländer*, Oskar, Allg. Steuerlehre und Steuerüberwälzung, Brünn —

die Überwälzungsverhältnisse zwischen den Besitzern der drei Produktionsfaktoren näher betrachten. So untersucht beispielsweise *Wicksell,* der den meisten Autoren vorwirft, dass sie das Steuerinzidenzproblem zu eng fassen, die Wirkung eines Industriezolls auf die Verteilung des Volkseinkommens zwischen Grundeigentümern (Kapitalisten) und Arbeitern.

Neuerdings haben insbesondere *Welinder* und *Due* die totalanalytische Betrachtungsweise bei der Durchforschung der Inzidenzprobleme, allerdings unter Berücksichtigung moderner kreislauftheoretischer Erkenntnisse, bevorzugt [6]). Sie berücksichtigen dabei die Wirkungen der Steuer nicht nur auf den Preis, sondern auch auf die Preisbildung und die wirtschaftliche Verteilung in ihrer Gesamtheit.

III

Die *partielle* Analyse, die nur einen Teilausschnitt der Wirtschaft behandelt, beschränkt sich auf die Erfassung der direkten Steuerwirkungen. Man untersucht, wie sich die gezahlte Steuer auf die tatsächlichen Träger im unmittelbaren Wirtschaftsverkehr (einschliesslich der Weiterwälzungen) verschiebt, und klammert mit Hilfe der clausula ceteris paribus alle weiteren Wirkungen der Steuer z.B. auf Einkommen, Liquidität und Investition und insbesondere die Rückwirkungen der Steuerausgaben auf die Überwälzung aus. Gegenüber der umfassenden gesamtwirtschaftlichen Modellbetrachtung erlaubt die Partialanalyse also, die direkten Wirkungen, die von der Besteuerung auf Angebot und Nachfrage eines Marktes ausgehen, *eingehend* und in einem zeitlich und sachlich übersichtlichen Rahmen zu untersuchen.

Die partialanalytische Methode wurde von zahlreichen italienischen, anglo-amerikanischen und deutschen Autoren mit verbalen oder mathematischen Mitteln oder more geometrico angewandt.

IV

Fragt man sich nun, welcher der beiden Betrachtungsweisen, der partiellen, mikroökonomischen oder der totalen, makroökonomischen,

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Prag — Leipzig — Wien — 1935. *Amonn, A.,* Zur Frage der steuerlichen Lastenverteilung, in: Conrads Jahrbücher, 123. Band, 1925, S. 165. *Sensini, R.,* Prime linee di finanza teorica, Bari 1917. *Wicksell, K.,* Finanztheoretische Untersuchungen, Jena 1896, Seite 8 ff. Über die Verfahrensweise siehe auch *Beckerath, E. von,* Formen moderner Finanztheorie, in: Festschrift für Georg von Schanz, Tübingen 1928.

[6]) *Welinder, C.,* Grundzüge einer dynamischen Inzidenztheorie, in: Weltwirtschaftliches Archiv Bd. 51, S. 83 ff. und *Due, J. F.,* The Theory of Incidence of Sales Taxation, New York 1942 und neuerdings, derselbe, The incidence of general sales tax, in: Public Finance, 1er trim, 1950.

bei der Erforschung des Steuerinzidenzproblems der Vorzug zu geben ist, so fällt die Antwort nicht leicht. Zunächst sind beide Wege wissenschaftlich vertretbar [7]) und sollten auch beschritten werden. Entscheidend für die Wahl ist allein die Zweckmässigkeit. Der Zweck und damit der Wert jeder ökonomischen Theorie wird aber letztlich durch den Grad bestimmt, in dem sie zum Verständnis der Wirklichkeit beiträgt. Unter Berücksichtigung dieses wesentlichen Gesichtspunktes lässt sich folgendes feststellen:

Zunächst haben die bisherigen Untersuchungen gezeigt, dass die eng begrenzte partielle Analyse eine bessere Durchforschung und Erklärung des Überwälzungsvorganges ermöglichte als die Totalbetrachtung (wenn auch ihre theoretischen Aussagen für praktische Zwecke noch wenig brauchbar sind). Verschiedentlich treten sogar bei der gesamtwirtschaftlichen Untersuchungsweise die eigentlichen Inzidenzprobleme in den Hintergrund. So setzt beispielsweise *Due* bei der Untersuchung der Inzidenz einer allgemeinen Verkaufssteuer einfach voraus, dass der Steuerdestinatar gleich dem Steuerträger ist [8]). Er lässt damit wesentliche Probleme der Überwälzung unberücksichtigt, untersucht aber eingehend die indirekten Wirkungen der Steurauflage, also die von der Inzidenz ausgehenden, unmittelbaren Einflüsse unter anderem auf Einkommen und Konsum.

Allgemein wird man mit der partialanalytischen Methode in der Lage sein, das Überwälzungs- und Inzidenzphänomen losgelöst von andersartigen und zeitlich unterschiedlichen Steuerwirkungen schärfer herauszustellen und eingehender und im einzelnen zu durchforschen und damit den unmittelbaren Zweck, nämlich die Beantwortung der Frage nach dem Steuerträger, besser erreichen. Zu diesem *grundsätzlichen* Methodenproblem meint *Samuelson* mit Recht: „The fruitfulness of *any* theory will hinge upon the degree to which factors relevant to the particular investigation at hand are brought into sharp focus" [9]). Will man also eine selbständige Inzidenztheorie aufbauen, so muss man sich auf die Untersuchung bestimmter Ergebnisse der Besteuerung beschränken. Je eingehender dieses Phänomen durch Partialanalyse in einem *zeitlich voll übersehbaren* Abschnitt durchforscht wird, um so klarer werden die theoretischen Ergebnisse und um so besser lassen sich in chronologischer Folge die nachgeordneten Wirkungen in anderen Zeitabschnitten miteinander verbinden und

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[7]) Dem Verfahren der Abstraktion sind in der Theorie keine Grenzen gesetzt. Sowohl die Partial- wie die Totalanalyse sind, von ihrem Verfahren her beurteilt, gleich. Ihre wissenschaftliche Dignität gründet sich auf ihrer *logischen* Richtigkeit, nämlich der logischen Deduktion, und nicht auf ihrem Wahrheitsgehalt.

[8]) *Due*, a.a.O.

[9]) Samuelson, P. A., Foundations of Economic Analysis, Cambridge, Mass., 1947, S. 9.

damit eine dynamische Untersuchung durchführen, die schliesslich Betrachtungen der kombinierten Wirkungen der öffentlichen Wirtschaft auf die Volkswirtschaft bedeutend erleichtert.

Auch für die wirtschaftliche Praxis eignet sich diese Methode wegen ihrer im Vergleich zur Totalanalyse doch erheblichen Einfachheit.

Allerdings müssen auch ihre *Grenzen* aufgezeigt und beachtet werden. So kann nicht übersehen werden, dass sehr enge Beziehungen zwischen der eigentlichen Überwälzung und den anderen Auswirkungen der Besteuerung bestehen. Und es ist auch nicht zu leugnen, dass die Besteuerung auf Faktoren mehr oder weniger einwirkt, die als Voraussetzung der Überwälzbarkeit einer Steuer gelten. So werden objektive Faktoren, z.B. Grösse und Intensität der Nachfrage, die das Verhalten der Steuerzahler und Steuerträger im Überwälzungsprozess bedingen, nicht unwesentlich beeinflusst von der Wiederausgabe der Steuermittel durch den Staat oder von den steuerausweichende Reaktionen der übrigen Zensiten im Steuerabwehrprozess. Diese wechselseitigen Beziehungen erweisen sich mehr oder minder stark, so dass jede Untersuchung in der Zeit — und die Steuerüberwälzung ist nun einmal ein dynamischer Vorgang im Wirtschaftsleben — die gegenseitigen Beeinflussungen und Abhängigkeiten berücksichtigen muss, wenn die Wirklichkeitsnähe der theoretischen Aussagen gewährleistet bleiben soll. Der *unterschiedliche Grad des Einflusses,* den *diese Wirkungen auf die Überwälzungsbedingungen* der Angebots-und Nachfrageseite haben, *bestimmt* neben der *Wirklichkeitsnähe der anderen Voraussetzungen den praktischen Wert der theoretischen Aussagen.* Nicht zuletzt liegt die Schwierigkeit, die bisherigen, durch die partialanalytische Arbeitsmethode gefundenen Ergebnisse überwälzungstheoretischer Untersuchungen statistisch zu verifizieren, in der Tatsache begründet, dass der Überwälzungsvorgang von *wesentlichen* gesamtwirtschaftlichen Einflüssen zu stark isoliert worden ist. Man muss also in *ausreichendem* Masse die allgemeine, zwischen den wirtschaftlichen Erscheinungen herrschende Interdependenz berücksichtigen, ohne dabei das eigentliche Inzidenzproblem als Ausgangs- und Mittelpunkt der Untersuchung zu vernachlässigen. Darin liegt ein methodologisches Hauptproblem nicht nur der überwälzungstheoretischen, sondern auch der allgemeinen wirtschaftstheoretischen Forschung [10]).

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[10]) Die Verbindung zwischen der Untersuchung eines Betriebes oder eines Wirtschaftszweiges und der einer gesamten Volkswirtschaft stellt die Wirtschaftswissenschaft vor sehr schwierige Probleme. Es sind zwar einige theoretisch erfolgreiche Versuche, die „single-firm"- und/oder „industry-analysis" mit der Totalanalyse zu verknüpfen, unternommen worden. So hat beispielsweise *Triffin, R.,* (Monopolistic competition and general equilibrium theory, Harvard 1949) ein

Die Vorteile der Totalanalyse und eines weitgefasster Begriffes liegen somit darin, dass die Aussagen der engeren Analyse im richtigen Licht gesehen werden und die Generalisierung eine gesunde d.h. wirklichkeitsnahe Grundlage bilden können zur Lösung praktischer Fragen.

Totale und partielle Analyse können daher grundsätzlijich in der Inzidenzuntersuchung nicht als wirkliche Alternativen behandelt werden. Eine Verbindung beider Methoden ist vorteilhaft. Ein schrittweises Durchdenken der Steuerwirkungen, beginnend mit dem Steueranstosz, den Anpassungen — durch die sich auschliessenden Reaktionen folgend, bis die Veränderungen im allgemeinen Gleichgewicht erkannt werden, würde eine gangbare Brucke bilden können, die jedoch beim heutigen Stand der Wirtschaftstheorie noch recht schwer zu schlagen ist.

Nimmt man aber die Grenzen der beiden Verfahren hin, so lässt sich abschliessend feststellen, dass es sich als zweckmässig erweist, bestimmte Steuerarten mehr vom mikroökonomischen, andere wieder vom makroökonomischen Gesichtspunkt zu untersuchen. So ist die partielle Analyse *im allgemeinen* für alle Steuern, die auf Ausgaben liegen, geeignet und ausreichend, während für die Steuern vom Einkommen die generelle Analyse vorzuziehen ist. Aber unter bestimmten Umständen, wenn z.B. Untersuchungen über Verbrauchsteuern in einem längeren Zeitabschnitt notwendig sind und die Steuerwirkungen weit und stark über die Grenzen des zunächst beeinflussten Marktes reichen, oder wenn diese Steuern für die gesamte Volkswirtschaft wachsende Wichtigkeit erlangen, kann auch hier die totalanalytische Methode zweckmässig angewandt werden.

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volkswirtschaftliches Modell aufgebaut, in dem in eleganter Form die partielle Untersuchungsweise der Unternehmung (nicht der Branche!) mit der generellen Gleichgewichtsanalyse unter Bedingungen der unvollkommenen (monopolistischen) Konkurrenz verbunden wird. (Vgl. auch die „world of monopolies" bei *Joan Robinson).*

Auch andere Überbrückungsversuche unter der Voraussetzung der vollkommenen Konkurrenz wurden durchgeführt. Daneben fehlt es auch auf methodologischem Gebiete nicht an Hinweisen und Ansätzen (z.B. bei *Samuelson, Machlup, v. Stackelberg* und *Eucken*). Dennoch bleibt ein breiter und vielleicht der wichtigste Bereich im Wirtschaftsprozess nicht ausreichend systematisch, und zwar theoretisch und praktisch, erforscht. Der Übergang zwischen dem mikro- und makroökonomischen Bereich hat seine eigenen Probleme, die nicht durch blosse Anwendung der Hilfsmittel und Erkenntnisse weder der einzelwirtschaftlichen, noch der gesamtwirtschaftlichen Analyse zu lösen sind. Durch einfache Übernahme partialanalytischer Ergebnisse als Daten in der totalen Betrachtung werden diese „Zwischen-Bereichs"-probleme nicht ausreichend erfasst und geklärt. In Wirklichkeit ist das gegenseitige Verhältnis der Resultate beider Analysen vielschichtig und kompliziert. *Keynes* wies besonders auf die sich daraus ergebenden Widersprüche („wirtschaftliche Paradoxe") hin.

V

Seit dem Erscheinen der Arbeiten von *Seligman, Mann, Empoli,* und von *Mering* Ende der zwanziger Jahre, die vorwiegend auf partialanalytischem Wege die Steuerinzidenz untersucht haben, hat nun generell die Theorie des partiellen Gleichgewichts, aufbauend auf den Untersuchungen der Cambridge-Schule unter Führung von *Marshall,* erhebliche Fortschritte gemacht. Einmal wurde, analog den Bestrebungen der makroökonomischen Untersuchungen seit *Keynes,* versucht, die Voraussetzungen der Theorie klarer als bisher herauszuarbeiten und der Wirklichkeit anzunähern, mit dem Ergebnis, dass der Gedanke einer geschlossenen allgemeinen Preistheorie, wie sie die klassische und auch die neuere Nationalökonomie anstrebte, aufgegeben werden musste. Die Bestimmung des Verhaltens der einzelnen Wirtschaftseinheiten unter jeweils gegebenen Bedingungen ist das wesentliche, noch übrig bleibende Element jeder Preistheorie. Die Theorie der Marktformen lösste die klassische Preistheorie ab, die zwar auf Grund ihrer sehr drastischen und begrenzten Prämissen einen hohen Grad an Bestimmtheit und Einfachheit erreicht, aber für die Erklärung der komplexen Wirklichkeit der modernen kapitalintensiven Wirtschaften nicht mehr ausreicht.

Die Überwälzungstheorie hat nun zwar, im Gegensatz zu anderen mit der Preistheorie eng verknüpften Untersuchungen, die Bedingungen des Monopol- und Konkurrenzmarktes nicht unbedeutend modifiziert. Dennoch bleibt die Aufgabe bestehen, die Ergebnisse der Markttheorie, insbesondere die der Wirklichkeit näher stehenden, intermediären Markttypen, wie Oligopol und monopolistische Konkurrenz, für die Inzidenzlehre voll zu verwerten [12]). Daneben gilt es auch, die ununterbrochen durchgeführten Verfeinerungen nutzbar zu machen, die durch eingehende Durchforschung der theoretischen und praktischen [13]) Marktzusammenhänge erreicht worden sind.

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[11]) *Seligman, E. R. A.,* The Shifting and Incidence of Taxation, 1926, 5. Auflage, *Mann,* a.a.O., *Empoli, Attilo da,* Teoria dell'incidenza delle imposte, vol. I., Reggio Calabria 1926, *Mering, O. von,* Die Steuerüberwälzung, Jena 1928.

[12]) Vgl. zu diesem Problem *Villani, F.,* Di un caso di traslazione d'imposta in regime di monopolio e in regime di concorrenza monopolistica, Riv. ital. di scienze econo., 1941 S. 1039. Eine bibliographische Aufstellung der Arbeiten über die Steuerwirkungen bei Monopol findet sich in dem Aufsatz von *Scotto,* Aldo, Contributo alle determinazione della velocità degli effeti delle imposte in regime di monopolio, in: Studi Sassaresi, vol. XXI, 1948 fasc. IV., S. 27.

[13]) Vgl. hierzu u.a. *Berle, A. A.* and *Means, G. C.,* The modern corporation and private property, NY 1934, *Burns, A. R.,* The decline of competition, NY 1936, *Means, G. C.,* The Structure of American Economy, N.R.C., Teil I, Wash. 1939 und eine grosse Zahl T.N.E.C. — Monographien.

Durch Berücksichtigung der Einkommenselastizität der Anbieter und Nachfrager, der wichtigsten Substitute des besteuerten Gutes [14]) und durch die Einführung des Zeitmoments mit dem Zweck, die verschiedenartigen Anpassungsprobleme klarer herauszustellen, können die Marktvorgänge und damit die Einwirkungen der Besteuerung auf umfassendere Art erklärt werden [15]). Damit wird das theoretische Marktmodell immer mehr „dynamisiert" und mit seiner Hilfe die „theoretischen" Inzidenzwirkungen der Wirklichkeit näher gebracht.

Bisher wurden nämlich sowohl bei der partiellen als auch totalen Betrachtung die auf Grund der Datenvariation eingetretenen Veränderungen im System festgestellt, und zwar derart, dass, ausgehend von einem Gleichgewicht auf einem Teilmarkt oder in der Gesamtwirtschaft, eine Steuererhöhung oder — einführung angenommen und dann nach Vergleich des neuen mit dem alten Gleichgewicht „deduziert" wird, welche Störungen in einem bestimmten Zeitraum, nämlich bis zur Bildung des neuen Gleichgewichts, eingetreten sind.

Bei diesem Verfahren der *komparativen Statik* wird der eigentliche Anpassungsprozess durch laufenden Rekurs auf empirische Daten ergänzend beschrieben [17]). Die partielle Markttheorie hat nun einzelne Modelle (meist unter der Voraussetzung der vollständigen Konkurrenz) aufgestellt, die den Anpassungsvorgang zum eigentlichen (isolierten) Gegenstand der Untersuchung machen. Während bei

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[14]) Dadurch wird die partielle Analyse erweitert. Und zwar wird die Nachfrage damit nicht nur durch den Preis der nachgefragten Güter, $N_1 = f(p_1)$, sondern auch durch die Preise der wichtigsten Substitutionsgüter und das Einkommen der Kaufwilligen bestimmt. Es vergrössert sich damit die Gleichung auf

$$N_1 = F(p_1, p_{s1}, p_{s2}, Y),$$

wobei N_1 = Nachfrage, p_1 = Preis des besteuerten Gutes,

p_{s1} u. p_{s2} = Preise der wichtigsten Substitute und
Y = Einkommen der Kaufwilligen sind.

[15]) Vgl. hierzu *Fagan, E. D.*, The shifting in the market period, in: Am. Ec. Rev., vol. XXXII, 1942 und *Fagan, E. D.* and *Jastram, R. W.*, Tax shifting in the short run, Qu. J. of E., Aug. 1939.

[16]) Vgl. hierzu die Marktmodelle, wie sie die kinetische Theorie aufgestellt hat.

[17]) Ob ein solcher Rückgriff auf die wirtschaftliche Wirklichkeit und ein Hinzufügen weiterer (empirisch gewonnener) Daten bei einer streng deduktiven Analyse der *reinen Theorie* gestattet ist, wird z.B. von *Streller, R.*, Statik und Dynamik in der theoretischen Nationalökonomie, Leipzig 1926, S. 7 f. verneint. Solange die Prämissen der Theorie weit von der Wirklichkeit entfernt waren, und das Zeitelement in der Gleichgewichtstheorie ausgeschaltet blieb, gab es aber keine andere Möglichkeit, die theoretischen Ergebnisse der *reinen Theorie* für praktische Zwecke auszunutzen — und das ist ja letztlich der Sinn jeder ökonomischen Theorie —, ohne durch abnehmende Abstraktion die theoretischen Aussagen der Wirklichkeit näher zu bringen. Vgl. hinsichtlich der Anwendung dieses Verfahrens die Arbeiten von *Edgeworth und Einaudi.*

den bekannten ablaufstheoretischen Schemata, dem von *Lange* [18]) weiter entwickelten Stufentheorem *Marshalls* und dem Spinngewebe-Theorem, die Verbindung zur Methode der komparativen Statik noch sehr stark ist, wird in anderen Modellen [19]) die Beziehung zur Dynamik enger gestaltet, indem das verlaufstheoretische ex- ante Element, das *Erwartungsmoment,* eingeführt wird. Wenn auch diese *kinetische Theorie* (die übrigens auch im makroökonomischen Bereich angewandt wird [20])) noch keinen dynamischen und daher realen Marktablauf aufzeigt [21]), so wird damit doch eine Dynamisierung der markttheoretischen Modelle erreicht, mit deren Hilfe das Wirtschaftsgeschehen und damit auch die steuerlichen Wirkungen auf dem Markt bedeutend besser erklärt und die Inzidenz der Wirklichkeit näher gebracht werden kann. Die Untersuchung der equilibria tritt immer mehr zu Gunsten der Erforschung des *Wirtschaftsablaufs* zurück.

VI

Wie eingangs bereits erwähnt, stellt sich die weitere, methodologisch nicht unwesentliche und vielfach erörterte Frage, ob die Untersuchung des Inzidenzproblems mittels deduktiver Methode oder auf *empirischem* Wege durchgeführt werden soll. So meinte, wohl etwas einseitig, z.B. *Lotz* auf der Tagung des Vereins für Sozialpolitik [22]) in der Diskussion, dass nur die empirische Erforschung „mit besseren Hilfsmitteln" wesentliche Fortschritte in der Überwälzungstheorie erzielen könne. Diese Forderung ist nicht realisierbar. Die Schwierigkeiten der empirischen Untersuchungsmethode bei der Erklärung der Steuerüberwälzung liegen in der Tatsache begründet, dass die mit der Inzidenz zusammenhängenden Probleme so weitschichtig sind, dass jede induktive Erforschung der Verschiebung einer bestimmten Steuer mittels Preiserhöhung oder -senkung vor der nicht einfachen Frage steht, wie die steuerbedingte Preisbewegung von der Vielzahl der gleichzeitig auf die Preise einwirkenden Faktoren isoliert werden kann. Gerade die verwickeltsten Erscheinungen der Wirklichkeit sind aber „auf die Vorbereitung durch das Verfahren der reinen Theorie angewiesen..... Das Zurechtmachen der Erscheinungen, ihre Vereinzelung, ihre Befreiung von einer Grosszahl

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[18]) *Lange, O.,* Formen der Angebotsanpassung und wirtschaftliches Gleichgewicht, Z.f. Nat. Bd. 4, 1935 S. 358.

[19]) *Lachmann, K.,* Preiserwartung und intertemporales Gleichgewicht, Z.f. Nat., Bd. 8, 1935 S. 33 ff.

[20]) *Föhl, C.,* Geldschöpfung und Wirtschaftskreislauf, Leipzig 1937.

[21]) Weil die eingeführte Zeit nicht real (material), sondern mathematisch-formal ist.

[22]) Schriften des Vereins für Sozialpolitik, Bd. 172, S. 336 ff.

von Beziehungen und ihre Steigerung zum Zwecke der Verdeutlichung erfolgt mit dem Ziel, Grunderscheinungen und Grundbeziehungen zu finden und klar zu legen." Diese methodologisch grundsätzlichen Ansichten *Spiethoffs* [23]) gelten in erhöhtem Masse auch für die Inzidenzproblematik.

Andererseits sind die auf deduktivem Wege erzielten Aussagen infolge der wirklichkeitsfremden Prämissen zu allgemein. So bleiben die bisherigen Ergebnisse beider Methoden für die Praxis, wenn überhaupt, nur sehr bedingt verwertbar. Wie ist dieses Dilemma zu überwinden?

Im Rahmen der neueren Bestrebungen, die Wirtschaftstheorie derart weiterzubilden, dass sie auch kurzfristige Bewegungsvorgänge erklären kann — und ein solches Problem ist die Steuerüberwälzung in erster Linie — wird ein enges Zusammenspiel zwischen Empirie und Theorie [24]), „zwischen analytischem Denken und genauer Beobachtung der Wirklichkeit" (Schneider) angestrebt. Nur das *enge Zusammenwirken beider Betrachtungsweisen* bietet auch bei der Erforschung der Steuerinzidenz Gewähr, dass die Ergebnisse brauchbar, d.h. praktisch verwertbar werden. In der reinen Theorie werden die Voraussetzungen klar herausgearbeitet und der Wirklichkeit angepasst, wobei man *hinter* die Daten vordringt und empirisch gefundene Annahmen an Stelle oder neben a priori-gesetzten Prämissen verwendet [25]). Auf diese Weise sollen die theoretischen Erkenntnisse grössere praktische Bedeutung erlangen. Damit ist auch die Möglichkeit bedeutend grösser, die überwälzungstheoretischen Resultate statistisch zu verifizieren. Deduktives und empirisches Verfahren sind also keine realen Alternativen.

Was die Entwicklung der deduktiven Forschungsmethode im mikroökonomischen Bereich betrifft, so hat *Marshall* der partiellen Theorie des Gleichgewichts die Gestalt für eine statistische Verifizierung gegeben. Ein Grossteil der inzidenztheoretischen Arbeiten baut hierauf auf, indem das Verhältnis der Elastizität von Angebot und Nachfrage zum bestimmenden Faktor der Überwälzbarkeit gewählt wird.

Inzwischen sind nun eine Anzahl Abhandlungen [26]) erschienen,

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[23]) *Spiethoff, A.*, Anschauliche und reine Theorie und ihr Verhältnis zueinander, in: Synopsis, Festgabe für Alfred Weber, Heidelberg, 1948, S. 573.

[24]) Vgl. dazu *Eucken, W.*, Die Grundlagen der Nationalökonomie, Godesberg, 1947.

[25]) Vgl. hierzu *Clark, J. M.*, Toward a Concept of workable Competition, in: Am. Ec. Rev., June 1940 S. 241 ff, *Bain, J. S.*, Market Classification in modern Theory, in. Qu. J. of Ec., Aug. 1942, S. 560-574 und *Recktenwald, H. C.*, Zur Lehre von den Marktformen, in: Weltwirtsch. Archiv, Bd. 67 (1951).

[26]) *Stone, I. R. N.*, The Analysis of Demand, N.I.E.S.R. 1945. *Schultz, H.*,

in denen gezeigt wird, wie die Verifizierung der Angebots- und Nachfrageelastizitäten für die allgemeine Wirtschaftstheorie durchgeführt werden kann. Auf dem speziellen Gebiet der Steuerinzidenz liegen noch keine Arbeiten dieser Art vor.

Auch im makroökonomischen Bereich hat in den letzten beiden Jahrzehnten die allgemeine Wirtschaftstheorie bedeutende Fortschritte gemacht, die für die Überwälzungstheorie und -praxis von grosser Bedeutung sind. Die Theorie des generellen Gleichgewichts, wie sie *Walras, Pareto* und *Cassel* darstellt, ist für die praktische Anwendung (mit ihren n-Unbekannten und n-Gleichungen) ungeeignet. Erst im Anschluss an *Keynes* hat nun die Wirtschaftstheorie eine Anzahl Kreislaufmodelle entwickelt, in denen die Idee des Tableau Economique wieder aufgegriffen wird. Es ist nun möglich, auch die Überwälzungs- und Inzidenzprobleme im Zusammenhang mit der allgemeinen Interdependenz von Nationaleinkommen, Konsum, privatem und öffentlichem Sparen zu untersuchen, und die Einwirkung der Besteuerung nicht nur auf die Verteilung des Gesamteinkommens, sondern auch auf die Faktoren, die das Volumen des Nationaleinkommens bestimmen, zu berücksichtigen. Damit kann die Inzidenztheorie zu einem Teil der allgemeinen dynamischen Wirtschaftstheorie (ähnlich der modernen Geldtheorie) ausgebildet und in diese eingebaut werden. Eine weitere Entwicklungslinie für die Inzidenzlehre zeigt sich in der input- output-Analyse, wie sie *Leontief* mit Erfolg anwendet. Hier wird ein Mittelweg zwischen der Methode Walras', die von Angebot und Nachfrage der einzelnen Haushalte ausgeht, und der für die Erklärung der wirtschaftlichen Interdependenz zwischen diesen Haushalten sehr global bleibenden, modernen, makroökonomischen Analyse eingeschlagen, indem an die Stelle der gesamtwirtschaftlichen Aggregate, wie Einkommen, Konsum und Investition, und der mikroökonomischen Einheiten des Haushalts und des Betriebes *Wirtschaftszweige* (Branchen) treten. Hier wie auch in anderen Kreislaufmodellen, z.B. der Nationalen Buchführung oder der dynamischen Gleichgewichtssysteme, liegt der grosse Fortschritt in der empirisch-statistischen Verifizierbarkeit der Ergebnisse.

Damit zeichnen sich auf mikro- und makrookonomischem Gebiet für die Inzidenztheorie neue und möglicherweise erfolgreiche Wege ab. Die beispielsweise von *Seligman*[28]) gestellte Forderung nach

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The Theory and Measurement of Demand, Chicago 1938. Dean, Joel, Statistical Determination of Costs, Chicago 1939.

[27]) *Leontief, W.*, The Structure of American Economy (1919-29): an empirical application of equil. analysis, Harvard 1941.

[28]) *Seligman*, a.a.O. S. XVI. Dasselbe Postulat stellten alle Diskussionsredner während der Tagung des VfS in Wien 1926 auf.

quantitativen Analysen der Steuerüberwälzung scheint sich auf diese Weise zu erfüllen. Die deduktive Forschung ist dabei, ihr theoretisches Instrumentarium derart auszugestalten, zu verfeinern und damit zu verbessern, dass ihre Resultate statistisch-experimentell teilweise nachprüfbar werden. Dazu kommt, dass auf der anderen Seite die Ökonometrie, die statistische Technik (exemplum: multiple Korrelationsrechnung), die statistische Erfassung von relevanten mikro- und makroökonomischen Grössen, wie Einkommen, Investition, Verbrauch, Absatz, Preise, und die internationale Statistik sich bedeutend verbessert haben.

Das bekannte, vielleicht etwas zugespitzte Wort von *Marshall,* wonach das 19. Jahrhundert in der wissenschaftlichen Forschung der qualitativen Analyse, die Zukunft, das 20. Jahrhundert, der quantitativen Analyse gehören muss und wird, lässt sich für die inzidenztheoretischen Untersuchungen in dem Sinne anwenden, dass mit einer weitergehenden Verfeinerung der in der Deduktion anzuwendenden Instrumente im mikro- und makroökonomischen Bereich und einer fortschreitenden qualitativen Sonderung der bei der Besteuerung zusammenwirkenden Faktoren ein intensives Studium und Auswerten des statistischen Erfahrungsmaterials [29]) Hand in Hand gehen muss. Denn nur die quantitative Analyse kann uns letzlich sagen, in *welchem Ausmass* die einzelnen Faktoren auf die Überwälzung einwirken und damit die Inzidenz eintritt. Zunächst gilt es aber nach wie vor, bei der theoretischen Deutung der Phänomene des Überwälzungsprozesses Verbesserungen und Ergänzungen (durch Einführung neuer Variablen) in der reinen Theorie vorzunehmen, um letztere der Wirklichkeit des wirtschaftlichen Alltags anzupassen und damit ein brauchbares Instrument für die Zwecke wirtschaftspolitischer Gestaltung wichtiger Finanzprobleme zu erhalten.

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[29]) Die theoretischen und vor allem empirisch-statistischen Untersuchungen der Steuerinzidenz wurden in Deutschland in den letzten fünfundzwanzig Jahren wohl in erster Linie deshalb etwas vernachlässigt, weil einmal in der Periode von 1933 bis 1948 durch den Preis- und Lohnstop keine wirtschaftspolitische Notwendigkeit dazu vorlag und keine empirischen Erfahrungen gesammelt werden konnten, zum anderen die ökonomischen Verhältnisse in der Weltwirtschaftskrise und die schwierigen Anpassungsprozesse kurzfristiger und länger fristiger Art nach der Währungsreform die Untersuchung der Steuerüberwälzung sehr erschwerten.

SUMMARY

SOME METHODOLOGICAL PROBLEMS OF THE THEORY OF TAX INCIDENCE

It takes special difficulties analysing the incidence of taxation as to methodology. There are two outstanding problems:

1 - Is it the deductive or the inductive way (by means of empirical-statistical investigation) to get general results on possible and probable shifting of taxation in the economic process and
2 - is it more suitable to use the total or partial analysis to explain the phenomenon or, in other words, should it be solved by micro- of macro-economic tools?

First we try to give answer to the second question, rightly connected to the controverse of the notion of incidence. The total-analytical method quite sufficiently considers the interdependence of the economy in the whole. This method has the advantage of being able to examine both the direct effects of taxation between the tax payer and the tax bearer, the indirect repercussions on income, consumption, saving, and liquidity, and the reflections of the tax outlays on the factors which determine the shifting. Thus the contects can be proved by means of equilibrium analysis or economic circular flow.

On contrary the partial analysis has its limits in the shifting of taxes in the immediate economic exchange and excludes all other effects by the clausula „ceteris paribus". Partly this method is applied verbally, partly more geometrico or more mathematico.

Which kind of analysis fits more the comprehension and explanation of the real incidence phenomenon? The partial analytical study allows to the greatest extent to emphasize more sharply and investigate more intensively the appearance of shifting separated from effects of taxes which are different qualitively and temporally; while the total analytical analysis encloses a certain danger that the very problems of incidence are somewhat pushed into the background. Microeconomic investigation suits well the economic practice too because of its relative simplicity.

On the other hand one has to consider and refer to its limits. That is to say this method separates from the very tigt relations between the real effects of shifting and the other impacts of a tax and from the repercussions on those factors that value as premisses of the shiftability of taxation. The different grade of influence which these effects possess on the conditions of shifting of the supply and demand side determines both the stage of reality of the conditions and the practical value of the theoretical generalizations. Thus the main problem is to take into consideration sufficiently the general interdependence being between the single economic appearances without neglecting the very incidence as starting and central subject of the study.

Even the general economic theory has not yet cleared up sufficiently that problem in spite of some attempts. The simple tradition of partial analytical results as dates in total analysis is not sufficient to seize and clear up the „Zwischen-Bereichs"-problems of micro- and macroeconomics. But acknowledging the limits of both methods it is convenient to study special effects of taxes by certain assumptions by means of one of the possible ways.

In order to explain the very process of shifting both analysises apply the *comparative static*. An important task of the future remains in utilizing completely the conclusions of kinetic and dynamic economic theory for the study of incidence.

Now let us turn to the first question. The difficulties of a pure empirical investigation of tax shifting are as well-known as the highly conditionally valuable results of deductive method.

Recent attempts developping the economic theory thus being able to explain shortum movements to endeavour a narrow collaboration of empiry and theory. On the one hand the asumptions are adapted increasingly to reality by getting a sight *behind* the dates and by applying empirically found instead of a priori premisses.

On the other hand the theory will become more suited for recognizing and explaining more precisely market processes by considering the time factor. Though market conditions have been greatly modified by orthodox investigations of incidence, it remains task to utilize completely for the theory of finance the progress of the general economic theory during the recent two decades. In the macroeconomic sector the incidence theory becomes — like modern money theory — part of dynamic economics and will be incorporated into the latter. The theoretical conclusions can be verified more and more successfully by the refinement of the tools of pure theory, the progress in the econometry and statistics, the statistical schemes of micro- and macroeconomic dates.

Finally let us try to get an answer to the second question. An

intensive study and utilization of statistical material empirically found has to correspond to an increasingly qualitative separation of the factors collaborating in the tax operation. Surely it is but the quantitative analysis that finally is able to explain the degree the single factors are effecting the tax shifting and the entry of incidence. It is, however, very important to refine and complete by introducing new variables in pure theory when explaining theoretically the phenomenon of the shifting process. Thus the theory is adapted to the reality of the economic practice and it becomes an useful instrument for purposes of political shaping important problems of finance.

RÉSUMÉ

LES PROBLEMES METHODOLIGIQUES DE L'INCIDENCE DE L'IMPOT

La théorie de l'incidence de l'impot, d'un point de vue méthodologique, a à surmonter des difficultés spéciales. Deux problèmes se trouvent au centre:

1 - Devrait-on arriver à des déclarations générales sur les événements économiques possibles ou vraisemblables d'une translation d'impôts par voie déductive ou par voie inductive (au moyen de recherches statistiques empiriques)?
2 - De l'analyse totale ou de l'analyse partielle laquelle serait le mieux appropriée à l'éclaircissement du phénomène? En d'autres termes, les problèmes de l'incidence devraient-ils être résolus dans le champ micro-économique ou macro-économique?

Commençons par la réponse de la dernière question, qui est d'ailleurs étroitement liée à la controverse sur la notion de l'incidence.

En appliquant la méthode de recherche analytique totale on se rend compte suffisamment de l'interdépendance de l'économie totale. Un avantage de cette méthode serait qu'on pourrait étudier aussi (à côté des actions directes qui jouent entre celui qui paye l'impot et le destinataire de l'impot) les influences indirectes de l'impot sur le revenu, sur la consommation, sur l'épargne et sur la liquidité en même temps que la répercussion de l'emploi de l'impot sur les facteurs décisifs de la translation de l'impot. Dans ce cas les relations pourraient être mises au jour au moyen d'une analyse de l'équilibre économique ou de la circulation économique.

Par contre l'analyse partielle se limite au renvoi de l'impot dans le trafic économique immédiat écartant en même temps les autres

effets au moyen de la clause „ceteris paribus". On se sert de cette méthode, pour une partie de façon verbale, pour une partie „more geometrico" ou „more mathematico".

Laquelle de ces deux méthodes est la plus appropriée à l'étreinte et à l'explication du phénomène réel de l'incidence? La méthode analytique partielle, dans une tranche qui se trouve entièrement à la portée d'un contrôle temporaire et réel, permet dans une large mesure, d'exposer d'une façon plus serrée, le phénomène de la translation, isolé des effets de l'impot d'une autre nature et discernable dans le temps. Elle permet aussi d'étudier ce phénomène plus amplement, alors que, avec une analyse de l'économie totale, on court le risque, que les véritables problèmes de l'incidence tombent dans l'oubli. L'observation des ménages isolés se prête aussi très bien à la pratique économique par sa simplicité relative.

Mais certainement on ne peut pas éviter de mentionner ou risquer de négliger ses limites. Elles tiennent au fait que cette méthode fait abstraction des relations très étroites qui existent entre les effets translatifs proprement dis et les autres influences d'un impôt, aussi bien que des actions sur ces facteurs qu'on pourrait considérer comme la présupposition même de la translation. Le degré différent de l'influence qu'exercent ces effets sur les conditions de translation du côté de l'offre et du côté de la demande, décidera, en plus de l'approximation de la vérité des prémisses, de la valeur pratique des déclarations théoriques. Le problème principal est donc de se rendre compte suffisamment des interdépendances générales qui existent dans les phénomènes économiques considérés à part, sans négliger le véritable incidence comme point de départ et comme centre de la discussion. La théorie de l'économie pure n'a pas éclairci non plus ce problème d'une façon suffisante, malgré les différentes tentatives faites. On n'étreint et n'éclaircit certainement pas d'une façon satisfaisante les problèmes de portée moyenne („Zwischen-Bereichs-probleme") de la théorie micro-économique et de la théorie macro-économique en appliquant les résultats d'une analyse partielle comme donnée de l'observation totale. Mais si l'on observe les limites des deux méthodes, on pourrait dire, que dans certaines circonstances certains impôts sont étudiés de plus près, en se servant d'une de ces deux méthodes de travail.

Les deux analyses se sont servies jusqu'ici de la *statique comparative* pour expliquer le processus de la translation. Or, une tâche future importante consistera à utiliser à fonds les résultats de la théorie cinétique et dynamique (qui néglige les équilibres en faveur des mouvements économiques) au profit de la théorie de l'incidence.

Considérons maintenant la première question. Les difficultés d'une recherche purement empirique sont aussi bien connues que l'applica-

bilité [ou utilité pratique] fort conditionnelle des résultats de l'examen déductif. Dans le cadre des nouvelles tentatives qui ont pour but de développer la théorie économique de façon qu'elle soit capable d'expliquer les mouvements d'une courte durée, on s'efforce d'aboutir à une coöpération étroite entre l'empirisme et la théorie pure. Premièrement les présuppositions sont de mieux en mieux adaptées à la réalité, alors qu'on se rend compte de ce que se trouve derrière les données en remplaçant les prémisses a priori par les données qu'on a trouvées d'une façon empirique. En second lieu, en se rendant compte du temps, la théorie devient susceptible de reconnaître et d'expliquer plus clairement, les événements du marché. Bien que les recherches sur l'incidence aient modifié considérablement les conditions du marché, il n'en restera pas moins la tâche de mettre en valeur les proprès que la théorie de l'économie pure a faits pendant les deux dernières dizaines d'années, pour la théorie financière. Dans la portée de la théorie macro-économique, la théorie de l'incidence — ainsi que la théorie monétaire moderne — devient une partie de la théorie économique dynamique et y est incorporée. Grâce au perfectionnement des instruments de la théorie pure, au progrès de l'économétrie et de la statistique, à la recherche des grandeurs micro-économiques et macro-économiques au moyen de la statistique, les résultats théoriques peuvent mieux être vérifiés de plus en plus exactement.

En conclusion nous pourrons répondre à la première question, qu'il n'y a pas ici des alternatives réelles. Avec une spécialisation qualitative des facteurs qui jouent dans les questions d'imposition, une étude intensive du matériel statistique devrait aller de pair avec l'utilisation de ce matériel. C'est exclusivement l'analyse quantitative qui est capable de nous dire finalement dans *quelle mesure* les facteurs isolés agissent sur l'incidence. Il importe cependant toujours avec l'interprétation des phénomènes du processus de la translation, d'envisager de faire des améliorations et des compléments en introduisant des variables nouvelles dans la théorie pure: ceci pour adapter cette théorie à la réalité économique de tous les jours et afin d'être à même de construire un instrument utilisable pour l'élaboration d'une politique économique issue des problèmes financiers importants.

GOVERNMENT REVENUE AND THE NATIONAL INCOME [1])

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1. It has become common in recent years to find statements that the revenue of the United Kingdom government now amounts to 40 % of the National Income. The purpose of this article is to discuss the object of any such calculations and in the light of this the most appropriate definitions of "revenue", "government" and "National Income."

2. First of all, what are the precise forms in which this contention has been made? One of the first statements was made in *The Economist* in an article "Eight Shillings from Every Pound" [2]).

"The total of private income — that is, the corpus of income from which all taxation must be levied — was £ 9,911 million in 1947. In that year, therefore, taxation took 38.2 % of the total of incomes, individual or corporate, subject to it . . . In other words the price of government in Great Britain today is 40 % of the total of all incomes. Every income in the country, large or small, pays over, on the average, eight shillings out of every pound of gross income in return for the benefits that government, central and local, confer upon the citizenry."

About the same time it was argued elsewhere [3]).

"In the case of the United Kingdom the figures show that 38.5 % of the National Income was absorbed by taxation". What appears to be the same argument was taken a stage further by the Leader of the Opposition in the House of Commons [4]):

"They (the Government) have taken 40 % of the National income for the purpose of governmental administration".

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[1]) I have to thank C. F. Carter and A. D. Roy for comments on this article.
[2]) *Economist*, 19/3/1949, p. 503.
[3]) H. G. Hodder, "Priorities in Tax Relief" National Provincial Bank.
[4]) Hansard, 28 Sept. 1949, Col. 159.

More recent statements of the same thesis are:

"At the present time 7s 6d. is taken away by the tax collector out of every pound of private income" [5]), and:

"Out of every pound of the British people's private income in 1938, something like 13s 9d. was spent as its owner wished; only the remaining 6s 3d. was spent for the people by the central and local governments. Today the figures are about 11s 4d. and 8s 8d. and much of the 11s 4d. though it comes out of private pockets, can hardly be said, in this land of licences and permits, to be "freely" spent" [6]).

3. What is the purpose of any calculation relating Government revenue to National Income? Perhaps the best way of clearing the ground is to state what any such calculation does *not* show. Obviously, any ratio of revenue to National Income will not tell us anything about absorption of real resources by the Government sector. For there is no necessary correspondence between receipts on current account (with which the statements above seem to be primarily concerned) and expenditure; nor is all expenditure incurred on real resources. And, in fact, the annual White Paper figures of Government expenditure show that Government absorption of real resources amounts to about 20 % of the National Income (net, at factor cost). It is equally clear that the revenue National Income ratio tells us nothing about the proportion of National Output produced by the Government sector. For that we need, ideally, the value of net output of the Government and private sectors of the economy calculated on a comparable basis [7]). It would seem that the ratio of Government to total output calculated in this sort of way is about 7 % [8]). It should be noted that any calculation on the basis of labour employed by the two sectors does not give the same sort of figure, owing to the low nominal productivity of the large block of Government "workers" in the Armed Forces. It is probably also true that the proportion of the National Capital in the Government sector is less than the proportion of the labour force but in the absence of any recent estimates, or any easy method of making new ones, it is impossible to substantiate this.

It is hardly less obvious that any estimate of the overall ratio of Government revenue to National Income tells us nothing about the

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[5]) T. Wilson, *Modern Capitalism and Economic Progress*, p. 166.

[6]) *The Economist*, "The Cost of Defence 29/7/50, p. 202.

[7]) e.g. making appropriate depreciation allowances for buildings of the Central Government.

[8]) Reddaway, "Movements in the Real Product of the United Kingdom, 1946-49". *J.R.S.S. 1950*. This definition of "Government" excludes value of output of any commercial activities.

re-allocation of resources among occupations resulting from Governmental fiscal activity. On the one hand, it is conceivable that a vast amount of revenue could be raised by direct taxation but the reactions of taxpayers be such that, taking into account the effects of any Government expenditure on goods and services and any re-distribution of incomes, there would be no re-allocation of productive resources. On the other hand, a comparatively small tax on some product such as coal which enters into a wide variety of uses with differing elasticities of demand could cause considerable modifications of relative prices and outputs, even though the amount of revenue raised remained a low percentage of the National Income.

Does anything of the superstructure remain after clearing the debris in this way? The argument which older writers would have brought forward at this point is the notion of taxable capacity, which in its historic form, such as, for instance, was in being at the end of the last century (over the discussion of financial relations with Ireland) or at the end of the first world war (over a rather similar issue to that under discussion here) was mainly designed to show that there was a limit to Government taxation, given by the difference between National Income and some rather vaguely defined level of consumption. At the time this view was fashionable this was not an altogether unreasonable sort of notion, but today when a larger part of the revenue raised by modern Governments is paid out again in the form of transfers and does not finance the purchase of real resources by Government, this viewpoint does not seem very helpful [9]).

A modern version of the taxable capacity concept has been put forward by Colin Clark in a well-known article [10]). Essentially his argument is that at a certain point in the Tax National Income ratio scale — characterised by him on the basis of empirical evidence as 25 % — the inflationary forces in the economy (workers demanding higher wages, employers and the Government being willing to see them paid) become so strong that any effort to increase tax revenue automatically generates a rise in National Income to preserve the ratio. Therefore, he argues, there is a persistent tendency for any increase in the ratio beyond 25 % to be reversed in due course. Now there is undeniably an important element of truth in this thesis for clearly people's re-actions to taxes and benefits are asymmetrical;

[9]) A side-line of the old argument, the notion that taxable capacity is less, *cet.par.*, in a country with an egalitarian distribution of income than one where income is unequally distributed, is probably valid on political rather than economic grounds; one need only point to the usual Parliamentary opposition in democratic countries to taxes hitting hardly at the lower income groups.

[10]) "Public Finance and Changes in the Value of Money", *Economic Journal*, Dec. 1945.

whereas a man may ask for higher wages because his income tax liability [11]) rises he will not easily agree to a reduction because of an increase in insurance benefits payable when sick. The relative distribution of tax payments and benefits often re-inforces this tendency for obviously taxes mainly fall on currently producing households but benefits are to a considerable extent paid to non-producers such as the aged, the sick and the unemployed. The common argument of recent years that high tax obligations will be met by dissaving can also be bought forward to support the thesis. And, it should be noted, both these lines of argument are independent of any effects of re-distributing incomes among different income groups [12]).

All the same, it would be unwise to over-emphasize this argument and in particular to accept without close scrutiny the estimate of the 25 % danger point. Quite apart from any statistical limitations inherent in these calculations it is difficult to see why any ratio such as this should hold for all distributions of revenue and expenditure (by type of tax, or payment, or by income group) and why people's responses to (in some sense) identical tax or payment distributions should be the same at all times and in all places. And although there are unquestionably many cases of workers asking for higher wages when taxes rise (e.g. the grumbles of trade Unions in the United Kingdom when the new National Insurance scheme was inaugurated in July 1948) it is surely just as likely that people will use the other weapon at their disposal i.e. the reduction of their labour supply by strikes, go-slow movements etc. [13]).

This brings us to the often connected but logically distinct argument that beyond a certain point, increases in the tax national income ratio will have strong disincentive effects on both management and workers. There are really two separate points to disentangle here. The first and everyday one is that the particular forms in which revenue is raised, or expenditures distributed in the U.K. today (e.g. P.A.Y.E., stepped narginal tax rates etc) may reduce output heavily [14]). But this aspect and all the contention surrounding it, is not the really fundamental point for there is an infinity of systems

11) This could apply even in the case of a poll tax.

12) In the case of the second argument, the sort of point to consider is that the "return" for tax payments is partly in kind and therefore even though higher tax payments are met by correspondingly higher defence services, for instance, this may cut across a man's own preferences and he may therefore try to consume as much of other goods and services as before.

13) *Cet par.*, this reduces the value of National Output and therefore the 25 % point would not be a position of stable equilibrium.

14) In this case we not only need to know whether A's taxes are used to pay sick relief to B, but also whether C (a key-man in the economy) is taxed heavily to support D (a hewer of wood or drawer of water).

of raising and distributing revenue and no particular set need be associated with a large tax/income ratio in the country as a whole. The other point, which does seem to be the fundamental one, is the asymmetry of people's reactions to taxes and benefits. If this hypothesis be accepted, then it must be agreed that a high revenue/National Income ratio may reduce output heavily [15]) even if taxes are levied proportionately to incomes and there is no re-distribution involved in the fiscal process.

Another line of argument altogether gives us additional reasons for finding out the ratio of Government revenue to national income. It is obviously important to know something about the true ability as distinct from the declared intention of a Government to take anti-cyclical action, and for this purpose any measure of Government expenditure on goods and services or Government net output is insufficient. Suppose we have two countries in both of which the Government spends 20 % of the National Income on goods and services; but in the first, the value of transfer payments is equal to the expenditure on goods and services, whereas in the second it is zero. Is there any doubt that the first country could in practice more easily mount an anti-cyclical policy? A 5 % cut in tax rates will (given revenue equal to expenditure in both countries) produce a much larger budget deficit in the first than the second. Similarly, is it not important to know whether a Government indulges in large trading activities or not? Receipts [16]) from selling coal or transport services, or for that matter expenditure on transfers, may be a much more flexible instrument than some forms of taxation.

Similar arguments can also be made if we want to discover the power of a Government to influence income-distribution. Here again there is a strong presumption in favour of not only knowing the ratio of Government expenditure on goods and services *plus* transfer payments to National Income but also the volume of trading receipts and expenditure. The use of trading activities as a means of re-distribution of income has been clearly demonstrated in the last 10 years in the United Kingdom by all the apparatus of cheap milk, orange juice, etc. Further potentialities of "lateral" re-distribution between different areas now exist with differential electricity and coal prices.

More generally then, we can say that whereas a revenue National Income ratio tells us nothing about the actual percentage of total output absorbed by the Government or about the actual contribution to total output, it is an indication of *potential* Government ability

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[15]) Except in the case of a poll tax.

[16]) The issue of including all receipts from such activities as against trading profits only will be discussed below, p. 248.

to implement its programmes of full employment, income redistribution etc. as well as being some sort of yardstick of taxable capacity. A final point might also be that a revenue/National Income ratio is some indication of the size of the "business" managed by those at the centre of national economic administration, a guide perhaps to wheter the possibility of diminishing returns to management appearing in this sphere is likely or not.

4. In view of these objectives, what are the most appropriate definitions needed to calculate our ratio? Perhaps it will be in order to consider first, "Government" and "Revenue" and later, "National Income".

Definitions of "Government" and „Revenue" must obviously hang together to some extent. For it is precisely the fringe departments of Government which obtain receipts that do not easily fit into the normal tax categories. Thus the Inland Revenue and Customs and Excise Departments are unambiguously part of the Central Government and the greater part of their receipts would be agreed by everyone to be taxation. But to go to the other extreme, should the receipts of the London Wholesale Meat Supply Association Limited (in which the Ministry of Food is believed to have a 51 % controlling interest) be regarded as Government revenue or not? And how do we treat the receipts of the Metropolitan Water Board or the Arts Council?

Clearly, there is no single answer to such conundra but reflection suggests that there are two tests which must be passed before any item can be included under Government revenue:

a. The organisation must not behave like the general run of commercial entities but more like the central organs of the State.

b. Any revenue raised must have effects similar to taxation.

a. Presumably it is generally accepted that the administrative department of local authorities should be counted as part of "government". It also seems clear that the trading departments of both Central and local government should be included for their ability to run permanently at a loss, if need be, or, as in the case of the Post Office, permanently at a profit over and above "normal" cost differentiates them from the general run of businesses. On similar grounds, it seems right to treat the receipts of the National Insurance Fund as accruing to "government". The case of the nationalised industries is more difficult. At first sight the grounds for excluding them seem strong: great care has been taken to make them formally independent boards, their affairs are not subject to close Parliamentary or Ministerial scrutiny as in the case of the trading departments,

and it is stricktly ordained that they cannot run permanently at a loss. But if one concentrates on the crucial problem of *behaviour,* is this really tenable? The essential point is, surely that in any important line of policy, such as deficit budgeting or reductions of capital investment, the general power of 'Government' to cause adherence to this policy [17]) and the general willingness of these organisations to follow this lead, is far greater than in the case of the ordinary firm and even greater, it might well be argued, than in the case of many local authorities. If one includes Urban District Councils in the North of Scotland as part of "Government" is there really a case for excluding the British Transport Commission at 55 Broadway, S.W.$_1$? Nor must it be forgotten that some of these organisations (e.g. the National Coal Board) are supplied with their working capital by the Treasury and all are provided with fixed capital by Treasury stock or Treasury guaranteed stock. The additional power this gives to Treasury ability to influence monetary conditions needs no emphasis.

It must be noted, however, that our principle calls not only for non-compliance with commercial hebits but also compliance with Government habits. This therefore is a possible means of discriminating between the Government and other fringe bodies such as Universities which although not gonfoming to commercial standards probably cannbt be expected to behave like the Central Government either.

Any classification of this sort on a behaviouristic basis is obviously rather vague, but it is difficult to see what other possible means of discrimination could be used. Such criteria as "ownership" or "control" seem either too narrow or too wide to be of any use. Although there are in theory a large number of marginal organisations which are difficult to classify, this does not matter very much in practice as many of them have nil or negligible receipts from the private sector, e.g. the B.B.C., Chelsea Hospital.

This criterion therefore enables us to include in addition to the administrative departments of Government, the trading departments

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[17]) The use of the provisions for balancing over a period of years to obtain purposive direction of the Boards — as distinct from simply giving them a safety valve — seems to have been in the minds of the Labour Government. "There might even be occasions when the Government might feel, if there was a heavy slump and a lot of unemployment, that it might be desirable on the whole not to insist on costs being covered. I agree that may be a remote contingency but it is the kind of thing referred to in the Coalition White Paper on Employment Policy and we have, therefore provided for it here". Mr. Gaitskell, Standing-Committee D, 29/4/46 col. 1145 (quoted by D. N. Chester "Price Policy indicated by Nationalisation Acts" *Oxford Economic Papers,* January 1950).

and those of the nationalised industries. On the other hand, we exclude those organisations akin to charities such as Universities, Hospitals and the various Church Commissioners. We also exclude the various public utilities such as the Metropolitan Water Board, the Merseyside Docks authority and the Thames Conservancy Board which have no close liaison with the Central Government[18]). On the whole it seems best to include all local authorities and their trading departments.

b. The second principle is that to be counted as "Government" receipts, revenue collected from the private sector must have effects akin to those produced by imposts commonly accepted as taxes. The first point to note is that it is *not* laid down in the Nationalisation Acts that revenue over a period of time must *equal* expenditure, but rather that it *must not be less than* expenditure i.e. the possibility of using the Nationalised industries as tax collectors is expressly allowed[19]). As to the effect of such levies, any increase in the excess of revenue over expenditure will, *cet. par.*, have a deflationary effect and therefore except on such ancillary grounds as the speed or administrative economy with which the increment may be enforced[20]), it is unlikely that on this score there will be much possibility of differentiation between the various forms of revenue. Similarly, most forms of revenue and expenditure can be used as a means of income re-distribution. Nor does consideration of consumption effects get us much further. Precisely the same problems of elasticity of demand and incidence arise whether we think of an increase in the tobacco tax, collected by the Customs and Excise, or an increase in electricity prices, collected by the Area Boards concerned. On the other hand, it might at first sight be thought that the effects on the supply of work and enterprise provide an adequate touchstone — that whereas the so-called direct taxes have clear disincentive affects at the margin such problems do not arise from higher purchase tax or higher gas prices. The fallacy in this argument and the demonstration that all these various types of "tax" have income effects have, I think, been successfully made by a number of writers[21]). The essential point

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[18]) This is in line with National Income White Paper treatment (Cf. notes to item 9, Table 16, Cmd 7933).

[19]) Cf. Chester, *loc. cit.*

[20]) It should not be assumed that the traditional taxes always win on these points; it is obviously much easier administratively to change coal prices rather than PAYE codes.

[21]) H. P. Wald, "The Classical Indictment of Indirect Taxation", Q. J. E. 1944/5.
A. M. Henderson, "The case for indirect taxation", *Econ. Jl.* Dec. 1948.
I. M. D. Little, *Welfare Economics*, pp. 156-9.

is that incentives are affected by any taxes which shift the schedule of the marginal utility of money downwards.

It does not seem therefore that this test is a very powerful one. Nevertheless there is one important point which it does help us to solve, — the inclusion or exclusion of revenue collected from foreigners. There is surely a strong case for excluding such receipts from Government revenue, there being little direct effect on the inflationary or deflationary gap, the distribution of incomes, the relative amounts and prices of consumption goods purchased or the degree of utilisation of the various factors of production.

Does the tax criterion enable us to say anything about items on capital account? When any transaction is regarded as being on capital account by both the payer and the payee, as is the case with Government loans subscribed by the private sector, then there is a clear case for exclusion. For these transactions are not once-for-all as in the case of taxation but carry an obligation to ultimate repayment of the same amount as originally subscribed. Although too much cannot be made of the voluntary element in loan subscriptions — after all many imposts such as a tobacco duty which are normally regarded as taxes are voluntary in the sense that they can be avoided by refraining from consumption and some loans are in fact compulsory — the key point is the entitlement to the *same* amount in repayment. Although taxation normally results in "repayment" of some kind, there is no guarantee that this will be the same amount as originally paid over[22]). This is the basic reason why transactions resulting in equal additions to and reductions of the capital assets of both sectors must be regarded as different in nature to taxation.

Difficulties arise when we consider items which enter the current account of one party and the capital account of the other. On the one hand, there are such items as Government sales of surplus stores which although a capital receipt to the Government are (often) a current outpayment by the private sector; on the other hand, we have death duties, a capital payment to the private sector but a current receipt to the Government. From the Government's viewpoint there is a much stronger case for including the second than the first as an item of revenue; from the private viewpoint the reverse is the case. Obviously there can be no unique definition of Government revenue in these circumstances — in fact we have 4 alternatives:

1. Total Receipts *less* items which are capital to both sides;
2. As in 1. *less* items which are capital to Government but current to private sector;

[22]) If Governments default on loans, then obviously the difference from taxation is much less.

3. As in 1. *less* items which are current to Government but capital to private sector;
4. As in 1. *less* all "mixed" items.

Fortunately, the practical importance of these distinctions is not so extremely great; relatively to 1., the differences between 2., 3., 4., are fairly small, as will be seen shortly.

These are the general principles therefore which enable us to say whether any particular receipt is Government revenue or not — the tests whether the organisation behaves like the main organs of the Central Government and whether the revenue is akin to taxation or not. We now turn to some of the details involved in applying these general principles in any actual estimate.

5. First, come the problems of deciding what is expenditure and what negative revenue. The most obvious cases here are subsidies and national debt interest (a total of £ 1,064 million in 1949) but post-war credit repayments also fall in the same category. Should subsidies (or at any rate that element designed to secure lower retail prices of certain consumer goods rather than secure a larger portion of the market for home producers) be thought of as normal expenditure or as a negative indirect tax? And should national debt interest be treated as a straight outpayment or as negative property income? Similar difficulties arise with items which can be alternatively regarded as positive income or negative expenditure. What is the appropriate expenditure on Army and Civil Service pay? Is it the gross amount or that sum less the amounts deducted at source for taxation — and hence should revenue include such items of taxation or not? And does taxation deducted at source from interest payments fall in the same category?

Perhaps it is not altogether surprising that difficulties of this sort abound for after all existing accounting conventions are largely designed for commercial organisations. Moreover, they are based on various legal and taxation requirements emanating from Government itself. Nor do economists have the same volume of broad principles to offor in respect of the conduct of Government operations as they do for business activity.

But these are explanations, not solutions, of the problems. Is there any way out? It has been firmly argued by *The Economist* [23]) that no offsetting of the types suggested above is valid except possibly in the case of tax deducted at source from Government interest payments.

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[23]) 30/4/49 p. 789. This was in reply to a letter from Mr. C. F. Carter, making some of the above points.

But if we are to include all the revenue extracted by the Government from the private sector of the economy — and in fact no other clear-cut solution seems to be possible — then the sub-total of "Transfers" in the Receipts side of the National Income White Paper account showing "Revenue Account of Public Authorities" does not seem altogether adequate for these purposes [24]). First, these figures refer to receipts by the traditional tax-collecting departments only and completely exclude the takings of trading departments and public enterprises [25]). Second, even those receipts which are given are not completely consolidated so as to remove inter-government transfers. Third, only one of the distinctions between current and capital items is drawn. Fourth, only direct taxes paid by foreigners are excluded. Fifth, no allowance is made for tax deducted by the Government from its outpayments.

To deal with the first of these points, we have already argued that both on grounds of the relationship of the collecting department to the Central Government and on grounds of the similarity of any profits made to normal indirect taxation there is good reason for including any such profits in Government receipts. Clearly it would be nonsensical to do otherwise for any further increase in an already high ratio of Government taxation to national income could easily be avoided by, say, allowing increases in coal and electricity prices and reducing beer and tobacco taxes. But is it sufficient to take a measure of Government receipts which only includes the net profit of trading and industrial activities? Is there not a good case for maintaining that the whole of the receipts of such organisations derived from sales at home should be classed as Government revenue? From the viewpoint of the recipients once we agree to treat trading departments and nationalised industries as Government, there is no distinction to be made between the receipt of £s subsequently disbursed in wages to coal-miners and those in wages to civil servants. And from the viewpoint of the payers is there a sharper distinction between the 19/6d. of the £ which is to cover the cost of coal they receive and the 6d "Government tax" than that between the 19/6d in the £ of tax which is returned in the form of free health treatment

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[24]) It seems fair to deduce that this is the figure envisaged by *The Economist* for on one occasion it was argued: "In 1948, the total of taxable income (including transfer incomes) was £ 10,338 million and the total of taxes collected by the central Government, the local authorities and the insurance funds was £ 4,162 million, a proportion of almost exactly 40 % "*The Economist*, 5/11/49, p. 988. The figure of £ 4,162 million is the transfers item in Table 17 of the 1949 White Paper (Revenue Account of Public Authorities).

[25]) Although Appropriations-in-Aid are in principle added to tax receipts, those deriving from trading activities are excluded.

or sickness benefit and the 6d. diverted to general purposes? If we agree to calculate all the "usual" taxes on a gross basis — and we have in fact seen that this is the only way — why not the "unusual" receipts too? If this conclusion in valid, our total should include all revenue obtained by trading, whether by the Central Government, local authorities or the nationalised industries with the exception of receipts from overseas, inter-governmental transfer payments and capital items in any of our senses.

The remaining modifications to the White Paper figures need less explanation. The removal of inter-government transfers involves not only the elimination of payments between the "recognised" departments of Government, e.g. Central Government contributions in lieu of rates, but also such items as taxes paid by public enterprises, employers' insurance contributions arising from these industries etc. Sales from public enterprises to Government departments or to other public enterprises also have to be eliminated. The adjustment for receipts from foreigners should in principle mean the exclusion of all tax payments deemed to have been made by foreigners, and all sales receipts of public enterprises from foreigners, but in practice there seems to be no way of calculating the burden of indirect taxes on foreigners. In the case of taxes deducted at source we need to know the amounts taken from Civil Servants, Armed Forces, etc. under PAYE and National Insurance as well as taxes deducted from interest payments. Finally, the particular White Paper variant of Government revenue excludes Government capital transactions such as sales of surplus stores but includes private capital outpayments such as death duties. We therefore need an estimate which includes the former as well as the latter and in addition one which excludes the former but not the latter.

A very rough attempt has been made to estimate Government revenue for 1949 on the above basis. Both the lack of accounts for 1949/50 for many items and the impossibility of sorting out the detail required from the accounts even if they are published, make a large amount of guesswork inevitable. But, for what it is worth, the following seems to be the sort of thing required.

1949 GOVERNMENT REVENUE

	£m
White Paper total of taxes	4464
Add	
Addition to tax reserves	8
Appropriations-in-aid not already counted (e.g. trading receipts at home)	79

Home receipts of Goverment trading organisations and nationalised industries	3582
Deduct	
Inter-government transfers	693
Taxes deducted at source	80
Net total	7360

Variants of net total

(1)	Exclude private sector capital items (£ 303m)	= 7057
(2)	Include Government (£ 48m), exclude private	= 7105
(3)	Include Government, include private	= 7408

A few points about these calculations should be clarified. The total of £ 3582 in additional receipts is not a completely gross total as it excludes a few items such as Central Government receipts of interest from e.g. the National Coal Board; the item of transfers is correspondingly reduced. But subject to this limitation, a comprehensive attempt has been to calculate income from property and trading on a gross basis and to eliminate all transfers such as Central Government consumption of coal, B.O.A.C. receipts from the Post Office, trading departments payment of import duties etc. It is interesting to note that Government trading receipts rather than nationalised industries revenues form the bulk of the £ 3582 million total. The sum of receipts by the Ministry of Food trading sections, the Board of Trade, Ministry of Supply, Post Office and Local Authorities [26]) is slightly over £ 2,000 million. The estimate of taxes deducted at source was made from the 91st *Inland Revenue Report,* with suitable adjustments for the recently nationalised industries. The £ 303 million private capital items is the sum of death duties, the special contributions and a guess of £ 50 million for stampduties; Government capital items are taken as £ 48 million — the value of surplus war stores sold at home in 1949. (It may of course be incorrect to regard these as all being bought on revenue account by the private sector). Finally the strongest warning must again be issued that the above is a very rough calculation and cannot in the nature of things be taken as anything more.

6. The remaining task is to devise the most appropriate concept of "National Income" in the light of our various objectives.

To start with, it must be made clear that in so far as we are mainly

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[26]) Trading receipts roughly adjusted to allow for loss of various functions since last accounts (1947/8) published; also including fees and recoupments which are treated as an offset to expenditure on goods and services in the White Paper.

interested in this calculation for comparative purposes — to know whether the Government is potentially better equipped to deal with threatening inflation and deflation than it was 20 years ago, for instance — it scarcely matters which definition is chosen for time series of National Income estimated according to different concepts are frequently highly correlated. In so far as we want an "accurate" ratio for any one country at any one time, then we have to probe more deeply. First of all, it would not be very meaningful to relate Government receipts, as defined above, to any of the usual National Income definitions for any sales of goods by Government enterprises to private business firms for resale (either in the same form or after further processing) will mean that some receipts are counted twice, once in the Government and once in the private sector. In other words, the addition of Government and private receipts would more than exhaust the total.

If have to look for a total more gross than any of the usual concepts, which is the most appropriate choice? If we are primarily interested in the disincentive or inflationary aspects of large Government receipts, it is suggested that the most appropriate single total is something akin to the value of all real transactions taking place in the economy i.e. including inter-industrial payments. It is obviously reasonable to relate outpayments to the Government sector by households to their total personal expenditure. The logical extension of this seems to be to relate business mens' outpayments to the Government sector to their total expenditure. Is it not at least as reasonable to postulate that business men relate such "expenditure" as indirect taxes to total outpayments rather than to some portion of outpayments such as that taken in the usual "net output" calculation? If the argument is valid, then we obtain the ratio of "Government Receipts" to "National Income", by aggregating the total of personal and business outpayments to the Government sector and relating it to the total of personal and business expenditure on goods and services. If might be objected that this latter figure is not invariant to changes in the financial organisation of industry — that if the many thousands of small firms existing today were superseded by a few large holding companies the total of inter-industrial payments would be very much reduced. But this objections is irrelevant. In such an eventuality the ratio of Government receipts to the total would increase and that is precisely what it should do, if it is to reflect the "burden" of such outpayments on industry. Conversely, if owing to the progressive specialisation of industry over the course of the years there were a division into a larger number of accounting units, there would — and should — *cet. par.* be a tendency for the ratio to fall.

The sort of figure which this gives us can be illustrated by U.S.

1939 statistics [27]). In that year, Gross National Product was $ 90.4 billion, but the total expenditure of the business sector, the household sector and the capital (i.e. investment) sector was $ 303,2 billions $ 15.0 billion of this being paid to the Government sector [28]). Therefore, the total flow of payments was some 3.3 times as large as the G.N.P. It is understood that recent calculations for the U.K. in 1935 show a similar sort of ratio [29]). If this sort of ratio were to hold in the United Kingdom today this would give us a total payments figure of £ 42,500 million for 1949 and a Government income/total income ratio of about 17 %. These calculations are rough and ready but if we take the U.S. net national income at factor cost in 1939, we find total payments to be approximately 4.2 times as great, and that would give us a total of £ 42,000 million for the United Kingdom in 1949. It may also be true that as Government trading activities in the United Kingdom usually add an extra link to the chain of productive processes, the structural characteristics of the American economy in 1939 give too low an estimate of the United Kingdom gross flow today. But the calculation serves at least to give us some idea of the order of magnitude. It is, perhaps, worth pointing out that this measure does not diverge very markedly from the 20 % of the National Income absorbed by the Government expenditure on goods and services, as calculated in the conventional way [30]).

To measure the anti-cyclical or redistribution potential of Government there seems to be less need for any absolute measure than in the incentives argument, and therefore we need not worry too much about the National Income concept adopted. But if we have to make calculation is there not a strong case again for taking something like the total flow of payments in the economy? This is surely the only way of throwing the importance or unimportance of Government into clear relief.

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[27]) Ruggles, *National Income and Income Analysis,* pp. 138-9.

[28]) This is not defined by Ruggles in the same way as in this article. Actually the total flow of payments in the economy was larger than $ 303.2 billion, as to this must be added $ 15.3 billion Government expenditure and $ 4.0 billion by the outside world on American products. Obviously we do not need to include these two items for our purposes here.

[29]) Information kindly supplied by Mr. T. Barna.

[30]) This does not seem to hold in the U.S. where the expenditure ratio was 15 % in 1949 and the revenue ratio, calculated on out basis ,about 8 %.

RÉSUMÉ

LE REVENU DU GOUVERNEMENT ET LE REVENU NATIONAL

On a souvent prétendu, ces derniers temps, dans le Royaume-Uni, que le revenu du Gouvernement représente 40 % du Revenu National. Quelle signification et quelle importance faut-il attribuer à une telle assertion?

La première phase de l'argument consiste en un renseignement sous forme de la relation entre les recettes du Gouvernement et le Revenu National, relation que l'on ne peut obtenir en mesurant la proportion des dépenses du Gouvernement en biens et en services par rapport aux dépenses nationales totales. Par exemple, la connaissance de l'ancienne proportion nous apprend beaucoup plus au sujet des possibilités d'imposition et de la capacité de réaliser des programmes de plein emploi.

L'auteur étudie ensuite, dans son ensemble, la question de la définition la plus appropriée de „Gouvernement" et de „revenu"; il déclare que le premier critère concerne le comportement: si une organisation se comporte plutôt comme une organisation gouvernementale que comme une organisation commerciale, cette organisation doit être comprise sous le concept Gouvernement. Le second critère est de savoir si la perception d'un revenu a des conséquences pareilles à la taxation. Pour ces raisons, il semble qu'il vaut mieux inclure les départements commerciaux et les industries nationalisées sous le concept Gouvernement.

L'auteur dit ensuite que la seule manière d'obtenir une mesure exacte du revenu consiste à inclure toutes les recettes des départements administratifs et commerciaux du Gouvernement. Autrement on s'égarera dans un labyrinthe de problèmes consistant à savoir si certains articles du budget représentent des revenus négatifs ou des dépenses positives et si d'autres concernent des revenus positifs ou des dépenses négatives. Les principales exceptions à cette règle générale d'inclure toutes les recettes sont les recettes en compte courant représentant des retenues de revenus à la source (p. ex.

l'„income tax" payée par les porteurs d'obligations du Gouvernement) et différents types de revenus capitalistes.

Le problème examiné ensuite consiste en ce que si l'on prend une mesure globale du revenu du Gouvernement, on ne peut établir une relation avec les conceptions usuelles de revenu national et obtenir une proportion significative. L'auteur suggère que le total le plus approprié est celui de la valeur de toutes les transactions ayant réellement lieu dans l'économie nationale, y compris les paiements effectués par les hommes d'affaires au secteur du Gouvernement et leurs dépenses totales, de la même manière que nous établissons un rapport entre les paiements domestiques d'impôts et leurs dépenses personnelles totales.

Un calcul grossier semble montrer que, estimée de cette façon, la relation entre les recettes du Gouvernement et le Revenu National en 1949 dans le Royaume-Uni était environ de 17 % au lieu du chiffre conventionnel de 40 %.

SOCIAL INSURANCE FINANCE UNDER THE SOCIAL SECURITY ACT AMENDMENTS OF 1950

BY SELMA J. MUSHKIN
Washington

At the time the report on the Fiscal Status of Social Insurances in the United States was submitted for the recent proceedings of the International Institute of Public Finance, extensive social security revisions were being discussed by the Federal Legislature. The anticipated financial consequences of the amended provisions are summarized briefly below.

The Social Security Act Amendments of 1950 extend the coverage of the Federal old-age and survivors insurance program to many new groups and liberalize the benefit payments. The public assistance programs are amended to provide Federal grants to the States for permanent and total disability assistance to needy persons and for payments to the mother or relative making a home for children receiving aid to dependent children. In addition Federal grants are authorized to help finance direct payments to physicians, hospitals, and others for medical services to recipients of old-age assistance, aid to dependent children, aid to the blind, and assistance to the permanently and totally disabled.

It is not intended in this summary to present a complete survey of all aspects of the changes made in the old-age and survivors insurance program. The major changes are indicated, however, because of their effect on the financing of this program.

Immediate Financial Effects

Benefits. — Aggregate benefit outlays for old-age and survivors insurance are more than doubled in the immediate future by the

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Opinions expressed are those of the author and do not necessarily reflect the views of the Federal Security Agency.

changes made in the new legislation. Increased benefit payments to the 3 million present beneficiaries are effective after August 1950. The "old-age" or primary benefits are increased on the average 77½ percent, or from about $ 26 a month to about $ 46 a month. Benefits to wives, widows, parents, and children of retired and deceased workers are increased proportionately.

For current beneficiaries a table for conversion of benefits under the earlier act to benefits under the amended provisions is set up by statute.

The liberalization in benefits as a result of the conversion table may be illustrated by the following examples from the new law:

Monthly payments under the Social Security Act

Prior to amendments	Under the amendments
$ 10.00	$ 20.00
15.00	30.00
20.00	37.00
25.00	46.50
35.00	59.20
45.00	68.50

For persons currently working, benefits will be computed on the basis of 50 percent of the first $ 100 and 15 percent of the next $ 200 of average monthly wages earned in employments covered under the system after 1950 (unless the provisions of the previous law as amended by the statutory conversion table result in a larger benefit). Unlike the earlier provisions, no increment is provided for each year of coverage under the system.

The minimum "old-age" benefit is set under the amended law at $ 25 a month except for individuals whose average monthly wages are less than $ 35. In these instances the benefit amount may fall to $ 20 á month. The maximum benefit payable to a family is the smaller of $ 150 a month or 80 percent of the average monthly wage of the insured employee. The maximum for a retired worker is $ 80 a month and for a worker and his wife $ 120 a month.

Benefit outlays are also augmented by other changes in benefit provisions, notably liberalization of eligibility provisions which permit many additional persons to become eligible for benefits; increases in benefit payments to surviving children and dependent parents of deceased insured workers; and the addition of protection to certain classes of survivors formerly barred from benefits, such as surviving husbands and children of working married women.

Eligibility requirements for older workers are amended to permit persons aged 62 and over to draw retirement benefits at age 65

if they have 6 quarterly periods or 1½ years of coverage and also to facilitate the acquisition of insured status by those newly covered.

Under the amended provisions the aged wife of a retired employee continues to receive a benefit equal to ½ of his "old-age" or primary benefit, and the widow of a deceased employee receives ¾ of his old-age benefit. The benefits for a dependent parent and for the first child of a deceased worker have been increased from ½ to ¾ of the primary benefit amount.

New beneficiary categories are set up by the amended provisions, principally dependents and survivors of working women and the divorced wife of an insured deceased worker.

Under the earlier statute the test of retirement from covered employments, as a condition for the receipt of benefits, was earnings under $ 15 a month. To permit beneficiaries to supplement their benefits by earnings and to encourage productive employment of beneficiaries, the amount which a beneficiary may now earn without loss of benefits is raised to $ 50 a month, and there is no retirement condition for insured persons or their dependents aged 75 or over.

Table 1 prepared by the Actuarial Consultant to the Ways and Means Committee of the House of Representatives presents an intermediate set of estimates illustrating the anticipated changes in benefit outlays as a consequence of the amended program. The estimates of benefit outlays as a percentage of payroll reflect the impact of changes in benefits and coverage as well as in contribution base.

Contributions. — Although benefit outlays are increased beginning with the latter part of 1950 the increases in contribution payments will become effective in stages after December 31, 1950. The increased contribution income in the immediate years ahead will result from expansion of coverage to new groups of earners and increase of the contribution base and base for benefit determinations from a maximum of $ 3,000 per annum to $ 3,600 per annum.

Coverage of the old-age and survivors insurance system is extended to about 10 million additional persons (table 2) bringing the total coverage to about 45 million. For the Continental United States coverage is increased from 60 percent to 75 percent of civilian gainful employment. Because of the shift between jobs and the movement into and out of the labor force many additional earners would have some earnings over the course of a year in employments covered under the system.

The new groups covered include regularly employed farm workers and domestic servants, self-employed persons (other than farmers and persons engaged in certain professional pursuits emprincipally physicians, lawyers, public accountants, engineers, and architects),

American citizens employed by American employers outside the United States, certain Federal employees not covered under any

TABLE 1

Estimated Cost of OASI Benefit Payments under 1939 Social Security Act and under 1950 Amendments, Intermediate-cost Estimate.

Calendar year	Amount (in millions)		In percent of payroll	
	1939 Act	1950 Amendments	1939 Act	1950 Amendments
1951	$ 865	$ 2,064	1.02	1.92
1955	1,264	2,708	1.59	2.45
1960	1,766	3,779	2.10	3.29
1970	2,932	5,873	3.11	4.67
1980	4,332	7,972	4.24	6.02
1990	5,817	10,087	5.41	7.32
2000	6,768	11,255	6.03	7.87

Note: These figures represent an intermediate-cost estimate which is subject to a significant range because of the possible variation in the cost factors involved in the future.
Source: "Actuarial Cost Estimates for the Old-Age and Survivors Insurance System as Modified by the Social Security Act Amendments of 1950". Prepared for the use of the Committee on Ways and Means, by Robert J. Myers, actuary to the Committee. Washington, D. C., U. S. Government Printing Office, July 27, 1950, p. 15.

TABLE 2

Extension of Coverage of the Old-Age and Survivors Insurance System under the 1950 Amendments.

(Number of persons in a average week)

Newly covered groups	Estimated Number
Total	9,800,000
Compulsory coverage, total	7,750,000
Nonfarm self-employed	4,700,000
Agricultural workers (regularly employed and processing workers)	850,000
Domestic workers	1,000,000
Federal civilian employees not under a retirement system	250,000
Employees outside the United States	150,000
Employment in Puerto Rico and Virgin Islands	400,000
New definition of employee	400,000
Voluntary coverage, total	2,050,000
Employees of nonprofit institutions	600,000
Employees of State and local governments	1,450,000

Note: Number of employees of State and local governments excludes a relatively small number of transit workers who will be compulsorily covered.
Source: Wilbur J. Cohen and Robert J. Myers. "Social Security Act Amendments of 1950: A Summary and Legislative History". Social Security Bulletin, October 1950, p. 5.

retirement system, and certain full-time salesmen, agent drivers, and industrial homeworkers. In addition workers in Puerto Rico and the Virgin Islands are covered for the first time. Employees of State and local governments not protected by a public retirement system may be covered through voluntary agreements between the States and the Federal Government, and employees of nonprofit institutions (other than ministers and members of religious orders) may be covered on election of the employer and a $^2/_3$ favorable vote of employees. Coverage for these newly added groups becomes effective on and after January 1, 1951.

The coverage changes, while effective for earnings after December 31, 1950, will not markedly influence the magnitude of collections and appropriations to the Federal old-age and survivors insurance trust fund until 1952. The rise in contribution receipts in 1951 will largely reflect the increase in the maximum earnings taxable — from $ 3,000 to $ 3,600 per annum. It is estimated that this change will increase contributions from and on behalf of employees in industry and commerce by about 6.5 percent annually.

The two largest employee groups brought under the system — agricultural employees and domestic servants — are relatively low-paid employees, and wages in cash represent only a portion of their earnings. Contributions from the self-employed will become payable for the first time in March 1952 on earnings in the preceding year. Voluntary agreements for the coverage of State and local employees not insured under their own public retirement system will necessarily involve delay before any large portion of this group begins making contributions to the program. The provisions for voluntary coverage of employees of nonprofit organizations on the agreement of employing organizations and by favorable vote of two-thirds of the employees also suggest delay before all or even a majority of employees in this group are covered by the insurance system.

The aggregate earnings base of contributions under the Federal old-age and survivors insurance system at current rates of earnings is estimated to be increased from about $ 87 billion a year to almost $ 110 billion for those compulsorily covered and to about $ 115 billion when the voluntarily covered nonprofit employees and employees of State and local governments are included. Contributions at the combined rate of 3 percent, taking account of the special rate for contributions of the self-employed, are estimated to rise from an annual rate of about $ 2.6 billion to $ 3.2 billion for the compulsorily covered groups.

Rates of contributions are not immediately altered by the amended provision. Contributions under the earlier act were scheduled to

increase from 1 to 1½ percent on each employer and employee effective January 1, 1950. This rate increase was permitted to become effective in part at least because of anticipation of the amended benefit structure of the program and the substantial increases in benefit outlays following the effective date of the new legislation. Employers and employees under the new law continue to share equally. The rate schedule adopted for each group is as follows:

1½ percent	1950—1953
2 percent	1954—1959
2½ percent	1960—1964
3 percent	1965—1969
3¼ percent	1970 and thereafter.

The self-employed who are covered would pay 1½ times the above rates, or 2¼ percent from 1951 through 1953 and a maximum of 4⅞ percent in 1970 and thereafter.

Long-Range Financing

The combined effects of changes in benefits and contributions are to raise the costs of the program measured as a percent of taxable earnings by a far greater proportion in the early years of the program's operation than in later decades. A comparison of estimates of the costs of the earlier provisions for OASI and of the 1950 amendments is shown in table 1. Illustrative actuarial estimates prepared by the Actuarial Consultant of the Ways and Means Committee indicate that in 1951 costs as a percentage of payroll under the amended program are 88 percent above the percent-of-payroll-cost under the earlier legislation; the incremental additional charges on taxable earnings gradually diminish over time to 57 percent by 1960, 50 percent by 1970, and 30 percent by the year 2000.

A combination of factors leads to this greater cost impact of the amended old-age and survivors insurance program in the early years than in the longer run.

The sharp rise in costs in the early years under the amendments reflects the upward adjustment of benefits for those already receiving annuities under the system and the liberalization of eligibility requirements for those in the upper age groups. The balance of long-run costs and immediate costs is also influenced by the relatively greater importance of current survivorship benefits under the amended provisions than under the earlier program. Furthermore, the acceleration in the growth of costs of the program over the period of potential coverage characteristic of the earlier provisions is no longer applicable under the amended statute since benefit payments will not be increased by an increment for years of coverage.

In addition to changes in benefits and contributions and the revision in the long-run balance between income and outgo, the Social Security Amendments of 1950 alter somewhat the emphasis on reserve financing under the system, as well as the potential future magnitude of the reserve[1]).

Both Houses of the Congress stated their conviction that the old age and survivors insurance program should be financed on a completely self-supporting basis. The tax schedule adopted was designed to make the system self-sufficient, so that contributions plus interest earnings on the reserve accumulations would be ample to meet the long-range benefit costs.

In implementing the decision in favor of a "closed" self-financed system the new legislation abandons earlier authorization for appropriation to the fund from general revenues of "such additional sums as may be required to finance the benefits and payments provided under the system". Moreover, refunds of taxes paid on earnings above the maximum of $ 3,600 because of multiple employment become payable out of the trust fund rather than from general revenue as under the earlier law. The Managing Trustee of the fund is directed to pay from the trust fund to the general fund of the U. S. Treasury Department the amount of taxes estimated to be refunded.

The Congress undoubtedly will review the need for higher private contributions in the future having regard for the cost experience under the program, the then-current actuarial evaluations of the future financial developments of the program, and the national economic and fiscal conditions prevailing at that time. It is of some interest in this connection that a provision adopted in 1939 when there was considerable Congressional sentiment in favor of lowering future reserve accumulations under the system and of emphasizing the contingency functions of the reserve rather than income-yield functions was retained in the new legislation. The Board of Trustees is still required under the amended law to report to the Congress when the reserve accumulated exceeds 3 times the highest annual benefit outlays estimated for the ensuing 5 fiscal years.

In view of prospects of continous examination of the financing

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[1]) Administration of the trust fund continues to be the responsibility of the Board of Trustees — the Secretary of the Treasury as managing trustee, the Secretary of Labor, and the Federal Security Administrator. The Commissioner for Social Security, however, is designated as Secretary of the Board under the amendments. Investment provisions limiting eligible investments to direct obligations of the United States or securities guaranteed as to interest and principal by the United States are also retained without change.

of the program by the Board of Trustees and other executive agencies, as well as the legislature, in the opinion of the writer, no great significance can be attached to estimates of reserve accumulations two and three or more decades hence. At best such estimates suggest what could occur under the conditions — demographic as well as economic and political — assumed when illustrative sets of figures were prepared [2]).

Moreover, the economic impact and effects of the program depend primarily on the year-to-year relationship of income and outgo, rather than on the aggregate accumulation. A sustained period of expansionary forces such as are now anticipated may well suggest that the annual increments to reserve be increased to a maximum, within the limits of contribution rates equitably related to the value of old-age and survivors protection afforded under the system. In any case, expansion in the national product and earnings would raise the magnitude of reserve accumulations under the contribution schedule adopted beyond that now estimated for the future. Historically such a secular rise in earnings is clearly indicated and the immediate perspective suggests an even faster rate of growth in productivity, national output, and earnings.

Nevertheless, in view of the controversy in the past on the aggregate potential reserve accumulation for the program, it is of some significance that the Congress adopted this system of financing after reviewing actuarial findings indicating a future fund estimated to reach a maximum of $ 83 billion by 1990 (table 3). As of the end of August 1950 total assets of the old-age and survivors insurance trust fund amounted to $ 13 billion.

Tax Reporting and Fiscal Administration

After extensive study of the various alternative methods of collecting contributions for new groups brought under the program, including a stamp system of reporting such as that extensively used in European systems, decisions were reached by the Bureau of Internal Revenue and the Social Security Administration to extend the quarterly wage or payroll reporting system, in effect for employers in industry and commerce, to agricultural and domestic workers newly covered by the amendments in preference to adoption

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[2]) Estimates of reserve accumulation necessarily involve a number of different assumptions as to long-range developments for many decades ahead. The various assumptions are elaborated in "Actuarial Cost Estimates for the Old-Age and Survivors Insurance system, as Modified by the Social Security Act Amendments of 1950", prepared for the use of the Committee on Ways and Means by Robert J. Myers, Actuary to the Committee, July 27, 1950.

of a new reporting device. After December 31, 1950, simplified reports with quarterly forms calling for information on earnings and contributions printed on the flap of envelopes will be used by housewives in complying with the new social security provisions. Those employing domestic servants regularly will be permitted to make their reports of wages paid and contributions either on the special household report form or may include the domestic servants on the regular quarterly form if they fill one out for business employees.

The administrative procedures for assessing and collecting contributions from the self-employed to whom protection is extended under the Social Security Act Amendments of 1950 are tied closely to reporting for Federal individual income taxation. Individuals would

TABLE 3

Estimated Progress of the OASI Trust Fund under the 1950 Amendments, Intermediate-cost Estimate.

(In millions)

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on investments	Fund at the end of year
1950	$ 2,498	$ 1,013	$ 61	$ 259	$ 13,500
1960	5,409	3,779	105	545	28,543
1970	7,854	5,873	145	1,005	52,167
1980	8,374	7,972	184	1,473	75,236
1990	8,719	10,087	223	1,652	83,451
2000	9,050	11,255	246	1,551	77,863

Source: "Actuarial Cost Estimates for the Old-Age and Survivors Insurance System as Modified by the Social Security Act Amendments of 1950". Prepared for the use of the Committee on Ways and Means, by Robert J. Myers, actuary to the Committee. Washington, D. C., U. S. Government Printing Office, July 27, 1950, p. 18.

be required to report their self-employment income by transferring information from the trade or business schedules and the partnership income schedules of the income-tax return to a social security schedule on the same return. Income from self-employment is defined as net income after deduction of business expenses and parallels as nearly as possible "wages" on which employees contribute. Dividends, interest, some categories of rental income, and capital gains are not taxable income for social security purposes. Those with net self-employment earnings of less than $ 400 a year are excluded from tax liability under the social security provisions in view of administrative difficulties involved in covering those with sporadic and small amounts from employment on their own account. In determining taxable earnings from self-employment for social insurance

purposes, furthermore, that part of earnings from self-employment which exceeds $ 3,600 a year is excluded [3]).

As a by-product of coverage of the additional groups for social security purposes, tax reporting under the general individual income-tax statute is expected to improve. Comparison of incomes reported for general tax purposes, particularly of income from self-employment, with national income aggregates suggests considerable underreporting. Social insurance protection, the quid pro quo for social insurance contributions, provides incentive to reporting income more adequately.

Provisions relating to determination of the appropriation to the Federal old-age and survivors insurance program also are amended. While appropriations to the fund continue to be equal to 100 percent of contributions of employers and employees, the mechanism for determination of these amounts is altered to place additional responsibilities on the Federal Security Agency and to relieve the Bureau of Internal Revenue of the administrative responsibility of maintaining segregated records of social security receipts received jointly with individual income-tax payments from self-employed persons and of employer and employee contributions received jointly with employer withholdings for income-tax purposes [4]).

Because of the widespread interest in simplifying tax-reporting procedures and in reducing costs of tax compliance, one aspect of administrative procedures reported favorably by the Senate Finance Committee and adopted by the Senate but rejected in conference

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[3]) Provision is also made for limiting the combined earnings from self-employment and wages, for individuals engaged in both types of pursuits in the course of a year, within a combined maximum of $ 3,600 by reduction of the taxable self-employment income in such instances. Earnings credited for benefit purposes are defined to correspond with the earnings subject to contributions.

[4]) Amounts credited to the old-age and survivors insurance trust fund will be determined on the basis of wages and earnings credited toward social insurance benefits from records of the Federal Security Agency. Prior to the receipt of such estimates, the Treasury Department may credit to the old-age and survivors insurance trust fund amounts estimated as the contribution liability on wages and earnings credited toward benefits. These estimated amounts may be transferred to the trust fund on a daily basis — as was the practice prior to the amendments — or on a monthly basis. Some effect on the timing or amount of investments may be anticipated as a result of these changes. Since the amended appropriation provisions become effective on wages paid after December 31, 1950, the effects of the changes are not reflected as yet in administrative practices.

In addition, the amended provisions provide for direct deposit in the trust fund of all payments received from the States under voluntary agreements for coverage of State and local employees not under public retirement plans. Amounts thus received are not required to be covered into the United States Treasury prior to appropriation to the trust fund.

of the Senate and House of Representatives may be mentioned. In the bill passed by the Senate, employers would no longer have been required to make separate determinations of the amount of income tax and the amount of employee social security taxes to be withheld on the same wage payment. The combined individual income-tax withholding and social security tax would have been determined from a wage bracket table or, on the election of the employer, on the basis of the percentage method. Employers would have been required to furnish only a single annual receipt to employees covering both taxes instead of the two separate receipts now required. Collectors of Internal Revenue also would have been permitted to make a single assessment for the two taxes. Despite the prospective savings in administrative expenses to the Government and to employers, this provision was finally rejected by the Congress since it tended to make the contributor less directly aware of the relation of social insurance benefits to contributions paid.

When the provision was under discussion, appropriation provisions of the pending bill were amended to authorize appropriations on the basis of taxable wages or wage credits as discussed above.

RÉSUMÉ

LES FINANCES DE L'ASSURANCE SOCIALE SOUS LA „SOCIAL SECURITY ACT AMENDMENTS"

En bref les conséquences financières immédiates du programme d'assurance des vieilards et des survivants sont: des bénefices considérablement plus grands que sous la loi précédente et, dans quelques cas, un accroissement des contributions, mais ceci dans une mesure relativement plus faible que les bénéfices [1]). Par conséquent les accroissements du programme d'assurance de personnes âgées et des survivants, dans les premières années de sa mise en vigueur seront moins importants que ceux de la législation précédente.

Les conséquences financières à longue échéance d ela législation nouvelle sont plus difficiles à distinguer. Le Congrès a accepté le principe d'un système de financement fermé et „self-supporting". Il a rejeté le principe d'une autorisation permettant au gouvernement de finances généralement le système par prélèvement sur le fonds général des impôts tendant ainsi à diminuer la responsabilité des patrons et employés dans le financement du programme. En même temps quelques aspects contributifs du programme étaient affaiblis par l'élimination de tout accroissement de bénéfice dans les années ou l'assuré est soumis au paiement de la contribution et ensuite par l'extension libérale des catégories de bénéficiaires qui — avec un paiement d'un an et demi seulement — guarantissent la protection de l'assurance à ceux qui ont maintenant 62 ans ou plus.

Alors que la „Social Security Act Amendments of 1950" marque un pas en avant dans l'expansion de la protection de l'assurance sociale des Etats Unis, des changements qui iront plus loin sont à attendre. Le Sénat, en même temps qu'il accepta les règlements amendés, a accepté une résolution, qui a pour but d'étudier le financement et les avantages du système. Le Président, dans son „State of the Union Message" a dit au Congrès: Nous avons besoin de continuer et de compléter le travail de perfectionnement de notre système d'assurance sociale. Nous avons encore besoin d'améliorer notre protection contre le chômage et la vieillesse. Nous avons encore besoin de la mise au point d'une assurance contre la perte de gains, causée par la maladie et contre les frais élevés des traitements médicaux modernes.

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[1]) Ceci présume que les taux de la contribution aient été majoré en 1950 comme cela était prévu par la loi, même si la loi: „Social Security Amendments" de 1950 n'avait pas encore été présentée au Congrès au moment de la majoration.

THE SOCIOMETRIC THEORY AND THE ESTATE DUTY

BY VASCO N. P. FORTUNA

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After confronting the facts, enquiring into their causes and weighing up their consequences, we come to the conclusion that for reasons of a social order:

> the individual distribution of private property should be modified so that its representative curve may tend towards symmetry with relation to the *Modus*.

Manifestly, the scope of this aspect of distributive justice exceeds the sphere of Public Finance. It being impossible, in a simple magazine article, to cover the whole of the problems raised by this viewpoint, we shall confine ourselves to the analysis, from a limited point of view, of its repercussions on the fiscal structure.

The repercussions are implied:

> the application of the tax should be carried out in such a way as to bring about in the wealth of each taxpayer such a cut that the curve representing the individual distribution of private wealth should tend, after the said cut, towards symmetry with relation to the *Modus*.

These are the general lines of the "Sociometric Theory of Tax Assessment" [1].

As it stipulates that the fiscal machinery should be utilized to alter the present method of assessment, and as it makes of this alteration

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1) *Teoria Sociométrica da Repartiçao do Imposto*, Lisbon. 1949, XIX + 219 pp. *Théorie Sociométrique de la Répartition de l'Impôt*, Lisbon, 1949, 9 pp. pamphlet distributed privately by the "International Bureau of Fiscal Documentation", Amsterdam.

the principal objective (non-fiscal) of the tax, there can be no doubt regarding its interventional nature.

In advocating the use of the tax with this objective, it follows on the tracks of those who went before. It goes further, however, than they did, by determining the direction and limits of the alteration. The direction is the tendency towards symmetry; the limit is the very symmetry itself.

Drawn up from statistical data, and not from ideological speculations, it is, in its fundamentals and purposes, politically neutral. It therefore lends itself to the realization of a "technical intervention policy", calculated, to a large extent, to liberate the fiscal machinery from the "political intervention policy".

Whereas the latter suffers from the defects of the instability of its objectives, and the generally confused manner in which it is applied, and tends also to be revolutionary through its liability to be at the mercy of the radicalism of a class accidentally in power, the "technical intervention policy" accompanying, as it does, the advance of science, tends to be evolutive, and to exercise restraint by constructively restricting the liberty of the legislator.

To the extent that evolution may be considered preferable to revolution, the technical emancipation afforded by the "Sociometric Theory" must be considered advantageous.

Having put forward these general considerations, let us see what unfamiliar aspects would accompany an estate tax constructed on the lines of the new theory.

To modify the distribution of the private wealth of individuals, it is obvious that it is only *natural persons* who are of interest as being "subject to the tax". The taxation of legacies made in favour of *artificial persons* is outside the objective in view. It is precisely by the manner in which it places the "party liable to tax" before the fiscal obligation that the "Sociometric Theory" breaks away from tradition and innovates in the matter of financial theory.

In the classical systems of taxation, when calculating the graduated rates of duty on estates, two factors are generally taken into consideration, namely:

1. The value of the estate inherited; and
2. The degree of parentage existing between the previous owner of the estate and the heir.

In the case of a tax built up on the lines of the "Sociometric Theory", these two factors are relegated to the second plane. The deciding factor is the value of the estate of the heir *after having received the heritage*. This is the value which serves as the basis for

the determination of the rate of the tax. The value of the property passing is only of interest as forming the basis for the incidence of the rate.

It may be admitted that the degree of parentage should have an influence on the rate to be applied, but this merely as a survival of a respectable fiscal tradition based on grounds foreign to the nature of the new theory.

The fact of the rate being determined by the extent of the estate of the heir and not by the property inherited, gives the tax the following characteristics:

1. The equality of situations insofar as concerns payment of the tax is increased, because the sum to be paid depending more on the extent of the estate of the tax-payer, the less it is possible for him to pay the estate duty from *revenue,* such duty being more properly a charge on *capital.*

2. The fiscal obligation is more directly connected with the ability to pay because by transferring the scale of graduated rates from the value of the property inherited to the extent of the estate of the heir, one avoids having two tax-payers of totally different economic situations pay an equal amount of duty on equal amounts of property inherited.

3. The modification to be made in the distribution is rationalized because by causing the graduated scale to depend on the position which each heir occupies in the distribution curve, the cut falls rigorously within the plan of modification set up, and the evolution of the curve is carried without deviation.

In the ordinary systems of taxation, in which the graduated scale depends on the value of the property inherited, the aggregate of the cuts occasioned by the duty do not conform to a definite policy modifying the distribution. The cuts fall indifferently on estates passing to individuals who, in the distribution curve, occupy positions which may vary considerably one from another.

The general equation suggested for the computation of the rate of duty (y) in terms of the value (x) of the estate of the heir, is as follows:

$$y = b - \frac{a^2}{(c - d) + x}$$

in which:

— the constant a^2 is the product of b and c;

— the constant b is the limiting rate of duty. Its choice is determined by the reduction which it is desired to effect in the amplitude of the distribution;

— the constant c is the factor which, for each value of b, controls the rate of increase of the rate of duty. Its choice depends mainly on the demands on the productivity of the duty.

— the constant d fixes the value of his estate over which an heir is liable for payment of duty. Exemption thus ceases to depend on the value of the property inherited, but depends on the value of the total estate of each heir after the heritage. Rigorously, within the determining factors of the "Sociometric Theory", this value should be the *standard value* of distribution.

Two restrictions, of a character foreign to the "Sociometric Theory", seem worthy of consideration in the application thereof:

1. The estate passing to an heir who, in spite of same, still remains with a total estate of a value below that which it is considered desirable that all should possess, and which, for this very reason, should not be diminished by taxation, should be exempt from estate duty; and
2. The tradition of the graduation of the duty in accordance with the degree of parentage should be respected.

The general equation, as set forth, will admit of these restrictions. When the desirable minimum exceeds the standard value, the limit of exemption will have to be raised. The value of the constant d will be fixed at the higher of these two.

The fiscal differentiation based on the degree of parentage is obtained by changing the value of the constants b, c and d from degree to degree.

At the root of the practical operation of the "Sociometric Theory" are the problems of an adequate knowledge of the distribution of wealth and proper technique for collection. It is admitted that the statistics concerning distribution are not generally perfect, and that the utilization of the tax for nonfiscal objectives is still in the prehistoric stage. In either field, the road to be followed in order to attain a satisfactory degree of perfection is both long and arduous. However, it is only by plodding that one can advance. With the "Sociometric Theory" it is hoped to make one step forward.

It is obvious that the productiveness of a tax designed to modify

the distribution of wealth in a certain manner will be reduced in proportion as the objective is attained. In these circumstances, an estate duty moulded on the principles of the "Sociometric Theory" may, in time, lose quantitative importance owing to the double effect of the reduction of large fortunes and the raising with the *Modus* of the limit of exemption.

In theory, we should reach the extreme of the tax ceasing to be levied when the curve attains symmetry. We do not consider the contingency a serious one. If it should happen, it would simply mean that the distribution of wealth had reached a state of equipoise; that the fiscal system had completed one more phase of its evolution; and that new fields of taxation would have to be found.

RÉSUMÉ

LA THÉORIE SOCIOMÉTRIQUE ET L'IMPÔT SUR LES HÉRITAGES

La „Théorie Sociométrique" est ouvertement interventioniste et fait de la modification de l'actuelle distribution de la richesse privée le principal objectif extra-fiscal de l'impôt.

Plus précise que celles qui l'ont précédée, elle concretise le sens et la limite de la modification à opérer: le sens est la symétrie par rapport à la *Mode* de la courbe de distribution; la limite est la symétrie elle-même.

Fondée sur des indications statistiques, elle permet de réaliser un „interventionisme technique" capable d'émanciper la fiscalité de l'indésirable „interventionisme politique".

Un impôt sur les héritages poursuivant l'objectif ci-dessus, établi selon les principes de cette théorie, aurait les caractéristiques suivantes:

— il ne prendrait comme „sujet de l'impôt" que les „personnes physiques";

— la base de calcul du taux de l'impôt serait la valeur du patrimoine de l'héritier après l'héritage; et,

— la limite de l'éxonération serait la valeur modale de la distribution des patrimoines individuels.

De ce chef:

— serait augmentée l'égalité de situations des contribuables par rapport au payement de l'impôt;

— le devoir fiscal resterait plus directement lié à la capacité réelle de payement; et,

— la modification de la distribution serait réalisée sans déviations.

L'équation proposée pour le calcul du taux (y) d'impôt, en fonction de la valeur (x) de la situation patrimoniale de l'héritier, à appliquer à la valeur de la quote part héritée, se présente de la façon suivante:

$$y = b - \frac{a^2}{(c - d) + x}$$

THE BUDGET CYCLE IN PUBLIC FINANCE IN THE UNITED STATES OF AMERICA

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CHAPTER I
THE IDEA OF THE BUDGET CYCLE [1])

§ 1 - *Introduction.*

In this work the term „budget" will be used in a very wide sense to include the budget itself and the accounts. Consequently, the term „budget-control" will imply control of the accounts as well, while the term „budget-cycle" includes not only the drafting and discussion of the budget but also its execution, which is reflected in the accounts.

§ 2 - *The phases of the budget-cycle.*

Government budgets usually cover a period of one year and consequently the accounts cover the same period. The period of time taken for the drafting of the budget estimates and proposals, their enactment and execution and the relevant accounting is longer than one year however, and often considerably longer. It is this latter period which is covered by the full budget-cycle.

Five phases can be distinguished in the budget-cycle, following each other in chronological order, though partly overlapping. These are:

Phase 1. Drafting of the budget by the executive.
Phase 2. Submission of the budget estimates and proposals to parliament. Discussions and enactment of the budget bill.
Phase 3. Execution of the budget proposals, i.e. incurring of obliga-

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[1]) The term „budget-cycle" is derived from Kurt Heinig. Das Budget. Tübingen 1949.

tions and the consequent expenditure authorized by the budget; collection of budget revenues; keeping of accounts of receipts and expenditure by the executive.

Phase 4. Control of the accounts.

Phase 5. Enactment of the accounts by parliament.

THE BUDGET CYCLE IN THE FINANCES OF THE FEDERAL GOVERNMENT

§ 3 - *Introduction.*

My study of the financial system of the United States of America took place in the months of November and December 1950. Any new facts which may have arisen since are not, in general, included in my review.

As the constitutional law in the U.S.A. differs fundamentally in some respects from our own, these divergencies have been dealt with briefly in Chapter II.

For the information of American readers, the Netherlands constitutional system has been described very briefly in Chapter III in so far as this was necessary for the purpose of comparison.

CHAPTER II

THE FEDERAL GOVERNMENTAL SYSTEM

§ 4 - *The Federation and its members.*

The United States of America form a federation in which the 48 states comprising it are, in essence, autonomous. As a result, the central authority, or Federal Government, possesses only delegated powers, i.e. only those powers conferred upon it by the members of the federation (the 48 states). These powers are laid down in the Constitution drawn up in 1787 and amended from time to time since.

In so far as the members of the federation have refrained from delegating certain powers to the Federal Government, they can exercise these powers themselves [2]), and they maintain a jealous watch for any infringement of this right on the part of the Federal Government. The principle of self-government is, indeed, deeply

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[2]) Article X of the amendments to the Constitution reads as follows: „The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively or to the people."

rooted in the American people, and not only the States but also other lower jurisdictions are in the habit of insisting on their rights.

Actually, however, the increasing powers of the Federal Government to regulate inter-state commerce, its taxing powers and the President's war powers have worked together with such economic factors as Federal grants-in-aid to the States to reduce the real autonomy of the States. The States remain autonomous, of course, with respect to their own budgets.

§ 5 - *The Constitution* [3]).

The Constitution is the fundamental law of the land and the source of power. It defines and limits the sphere of action of the Central Government and assigns to its three branches — legislative, executive and judicial — specific duties and responsibilities. Through it, final authority is rested in the people — the voters.

§ 6 - *The Legislature.*

Article I, section 1, of the Constitution reads: „All legislative powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and a House of Representatives."

In this respect a great difference exists between the constitutions of the U.S.A. and the Netherlands. In the latter country the legislative power is vested in the Crown and Parliament together. The President of the U.S.A. has, in respect to the legislation, only an *impeding* power by means of his veto, but Congress can, by a qualified majority (2/3) — Art. I, section 7 — overrule this veto.

Congress is thus in fact the sole legislator which is stipulated in the first sentence of all laws:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, ...

Article I, section 7:

1. „All bills for raising revenue shall originate in the House of Representatives; but the Senate may propose or concur with amendments as on other bills."

2. „Every bill which shall have passed the House of Representatives and the Senate shall, before it becomes a law, be presented to the President of the United States; if he approves he shall sign it, but if not he shall return it with his objections to that House in which it shall have originated, who shall enter the objections at large on

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[3]) The complete text of the Constitution is to be found in „A Government by the People", issued by the Department of State of the U.S.A.

their journal, and proceed to reconsider it. If after such reconsideration two-thirds of that House shall agree to pass that bill, it shall be sent, together with the objections, to the other House, by which it shall likewise be reconsidered, and if approved by two-thirds of that House, it shall become a law. But in all such cases the votes of both Houses shall be determined by yeas and nays, and the names of the persons voting for and against the bill shall be entered on the journal of each House respectively. If any bill shall not be returned by the President within ten days (Sundays excepted) after it shall have been presented to him, the same shall be a law, in like manner as if he had signed it, unless the Congress by their adjournment prevent its return, in which case it shall not be a law."

As regards para. 1: A proposal for a law is called a bill; as soon as it has become law, it is known as an act.

The fact that Congress is the sole [4]) legislative authority implies more or less as a matter of course that all bills orginate in Congress, i.e. if laws are to be made, a member of Congress has to take the initiative in presenting a bill. Accordingly, if the Administration desires a bill to be enacted on any matter it must find a member of Congress willing to introduce it. In practice, if the Executive wishes a law to be passed, it is the custom for it to draft the bill itself, which is then presented to Congress by a member of the party supporting the government. This member is generally the chairman of the committee or sub-committee concerned.

This procedure is very different from that followed in the Netherlands, where the introduction of a bill by a member of the Second Chamber [5]) (this right does not extend to members of the First Chamber [6])) is a rare exception. Almost all bills are presented to parliament by, or on behalf of, the Crown; *by* the Crown in the form of a Royal Message and *on behalf* of the Crown if the Crown authorizes a minister to present the bill. This is a logical consequence of the principle that the Crown exercises the legislative power together with Parliament (see Chapter III).

In the United States both the House of Representatives and the Senate possess the right of presenting bills. The right is, however, limited in the first paragraph of Section 7, Article I of the Constitu-

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[4]) This is probably an overstatement. The United States Government is much less one of „separation of powers" than it is one of „checks and balances", in which the legislative, executive, and judicial branches each share sufficiently in the powers of the other branches that none can function unchecked by one or both of the others.

[5]) Comparable to the House of Representatives.

[6]) Comparable to the Senate.

tion. The significance of this limitation is not very great however, since the Senate has the right to amend the bills mentioned in it.

(N.B. In practice it is accepted that the term „bills raising revenue" also includes „appropriation", i.e. bills authorizing expenditure.)

As regards para. 2, this part of Section 7 describes the procedure followed once a bill has been passed by both Houses of Congress. At this stage it is known as an „enrolled bill" and is presented to the President. The latter can:

1 - approve and sign the bill, whereupon it becomes law;
2 - send back the bill annotated with his objections to it (the veto); If both Houses now pass the bill again with a two-thirds majority, it becomes law.
3 - take no action, whereupon the bill becomes law after ten days, as though he had signed it.
(The bill does *not* become law, however, if Congress prevents its return during this period of ten days by adjourning).

The articles or sections of articles of the Constitution quoted below refer to regulations governing finance.

Article I, section 8.

„The Congress shall have power:

1 - to lay and collect taxes, duties, impost and excises, to pay the debts and provide for the common defense and general welfare of the United States; but all duties, imposts and excises shall be uniform throughout the United States;
2 - to borrow money on the credit of the United States;

.....

12 - to raise and support armies, but no appropriation [7]) of money to that use shall be for a longer term than two years;"

Article I, section 9.

4 - [8]) „The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census of enumeration;
5 - No tax or duty shall be laid on articles exported from any State;

.....

7 - No money shall be drawn from the Treasury, but in consequence of appropriations made by law; and a regular statement

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7) For the definition of appropriation see § 21.
8) Referred to, in American usage, as the „16th Amendment".

and accounts of the receipts and expenditures of all public money shall be published from time to time."

The reader will have noticed that the constitutional provisions governing financial *control* are very summary (see para. 7, Section 9). What is particularly striking is that the Constitution makes no provision for an independent organ to control the financial transactions of the Executive, in behalf of the Legislature. And thus it was that such an organ was not set up until the year 1921, that is to say, more than 130 years after the signing of the Constitution.

§ 7 - *The Executive.*

Article II, Section 1 of the Constitution reads:

„The executive power shall be vested in a President of the United States of America....."

Section 3: „He (the President) shall from time to time give the Congress information of the State of the Union, and recommend to their consideration such measures as he shall judge necessary and expedient.....; he shall take care that the laws be faithfully executed,....."

Each year on January 3rd [9]) the President appears personally before Congress to deliver his „State of the Union" message, setting out the state of affairs in the U.S.A. and revealing the programme for the future. Should he think it necessary, the President can appear again before Congress during the course of the year to inform it of any important matters; he can also send written messages.

(N.B. The organs of the Executive are described in § 10).

§ 8 - *The Judiciary.*

Article III, Section 1 of the Constitution reads:

„The judicial power of the United States shall be vested in one Supreme Court and in such inferior courts as the Congress may from time to time ordain and establish. The judges, both of the supreme and inferior courts, shall hold their offices during good behavior, and shall, at stated times, receive for their services a compensation which shall not be diminished during their continuance in office."

This regulation governing the Judiciary corresponds closely with our own. There exist, however, two fundamental differences in the administration of justice to be mentioned here.

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[9]) Should January 3rd fall on a Sunday, Congress decides upon another day for the speech.

The first difference — which does not arise from the Constitution itself but from jurisprudence — concerns the constitutionality of new laws.

Should an individual in America refuse to comply with a law and plead before the judge that the said law is in conflict with the Constitution, the judge must pronounce an opinion on this point. If the law is, in consequence, declared by the Supreme Court, to be *in conflict* with the Constitution it *cannot* be enforced.

In the Netherlands, on the other hand, a judge is forbidden to pronounce on the constitutionality of any law (see § 13).

The second difference has to do with the relationship between the State and the individual.

In Anglo-American law an individual, or corporation, cannot in theory sue the State. This principle originated in England and is embodied in the adage: *„The King can do no wrong."*

But although this principle was maintained in theory, there have of course been cases in which the State appeared to be, or could be, in the wrong. In such cases a means had to be sought whereby a dispute between the State and an individual could be solved by an independent third party.

Consequently the State allowed itself to be sued by individuals in a number of instances, so that what had been originally an exception gradually became the rule. In Washington there is even a special Federal Court, the Court of Claims, for dealing with such disputes.

The principle remains all the same, and we shall see later on how it works in a number of cases.

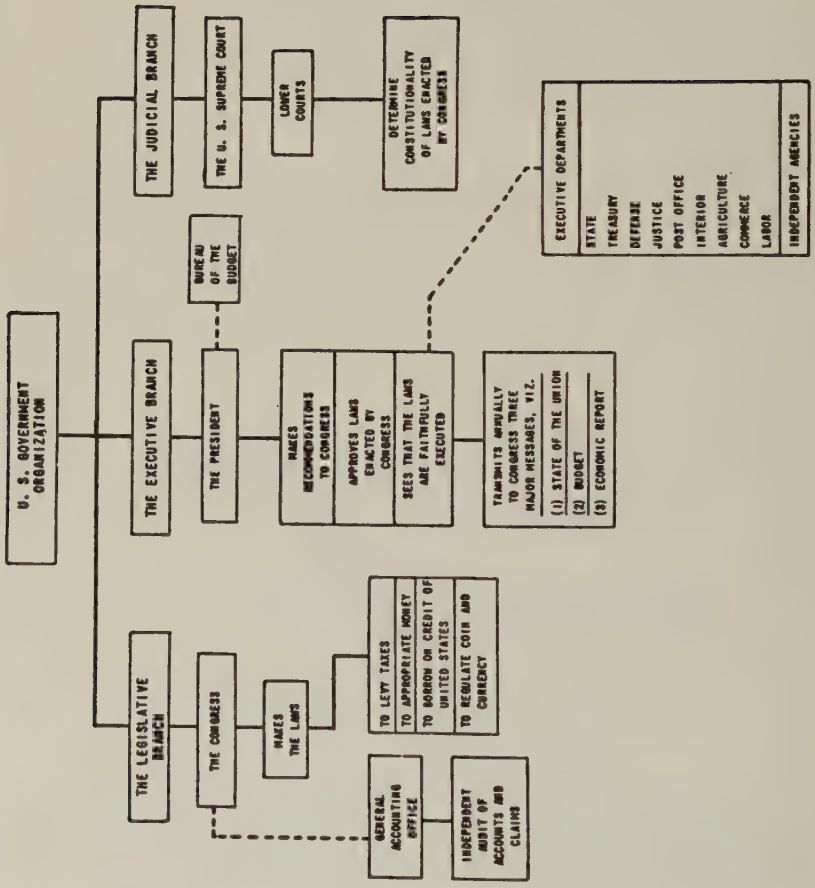
Such a principle does not apply in the Netherlands. Except in the case of a limited number of exceptions, all disputes between individuals, or corporations, and the State can be brought to the notice of a court.

§ 9 - *Scheme of Organization.*

The subjects dealt with so far in this chapter are illustrated by means of a diagram on page 280 showing the organization of the U.S. Government.

§ 10 - *The Organs of the Executive.*

The Constitution of the United States decrees that the executive power shall be vested in the President (see § 7). A similar provision is to be found in the Constitutions of various European democracies, where the executive power is vested in a King, or President — in the case of the Netherlands in the King (or Queen when there is no King) —.


U. S. GOVERNMENT ORGANIZATION
THE LEGISLATIVE BRANCH
THE CONGRESS
MAKES THE LAWS
TO LEVY TAXES
TO APPROPRIATE MONEY
TO BORROW ON CREDIT OF UNITED STATES
TO REGULATE COIN AND CURRENCY
GENERAL ACCOUNTING OFFICE
INDEPENDENT AUDIT OF ACCOUNTS AND CLAIMS
THE EXECUTIVE BRANCH
THE PRESIDENT
BUREAU OF THE BUDGET
MAKES RECOMMENDATIONS TO CONGRESS
APPROVES LAWS ENACTED BY CONGRESS
SEES THAT THE LAWS ARE FAITHFULLY EXECUTED
TRANSMITS ANNUALLY TO CONGRESS THREE MAJOR MESSAGES, VIZ.
(1) STATE OF THE UNION
(2) BUDGET
(3) ECONOMIC REPORT
EXECUTIVE DEPARTMENTS
STATE
TREASURY
DEFENSE
JUSTICE
POST OFFICE
INTERIOR
AGRICULTURE
COMMERCE
LABOR
INDEPENDENT AGENCIES
THE JUDICIAL BRANCH
THE U. S. SUPREME COURT
LOWER COURTS
DETERMINE CONSTITUTIONALITY OF LAWS ENACTED BY CONGRESS

However, there exists a very radical difference in Europe, the executive powers of the King, or President, are only „constitutional" or nominal, the real power being exercised by ministers who are responsible to parliament. The responsibility of the head of the State (the King or President) is, therefore, excluded in these constitutions (see § 11).

This does not mean however, that the Kings, or Presidents, are mere symbols. Their influence depends upon their personalities, not on their formal constitutional powers. The history of the Netherlands shows that its Queens have exercised, and still exercise, a decisive and beneficient influence on the affairs of the State.

In the United States the ministers are *in principle* no more responsible than any other high officials. They do not share a collective responsibility for Presidential decisions. Although they do not stand or fall on a vote of confidence in Congress, they are still highly responsible for their actions in many real, if not always formal, ways, and they are highly sensitive to the degree of this responsibility in the conduct of their departmental affairs.

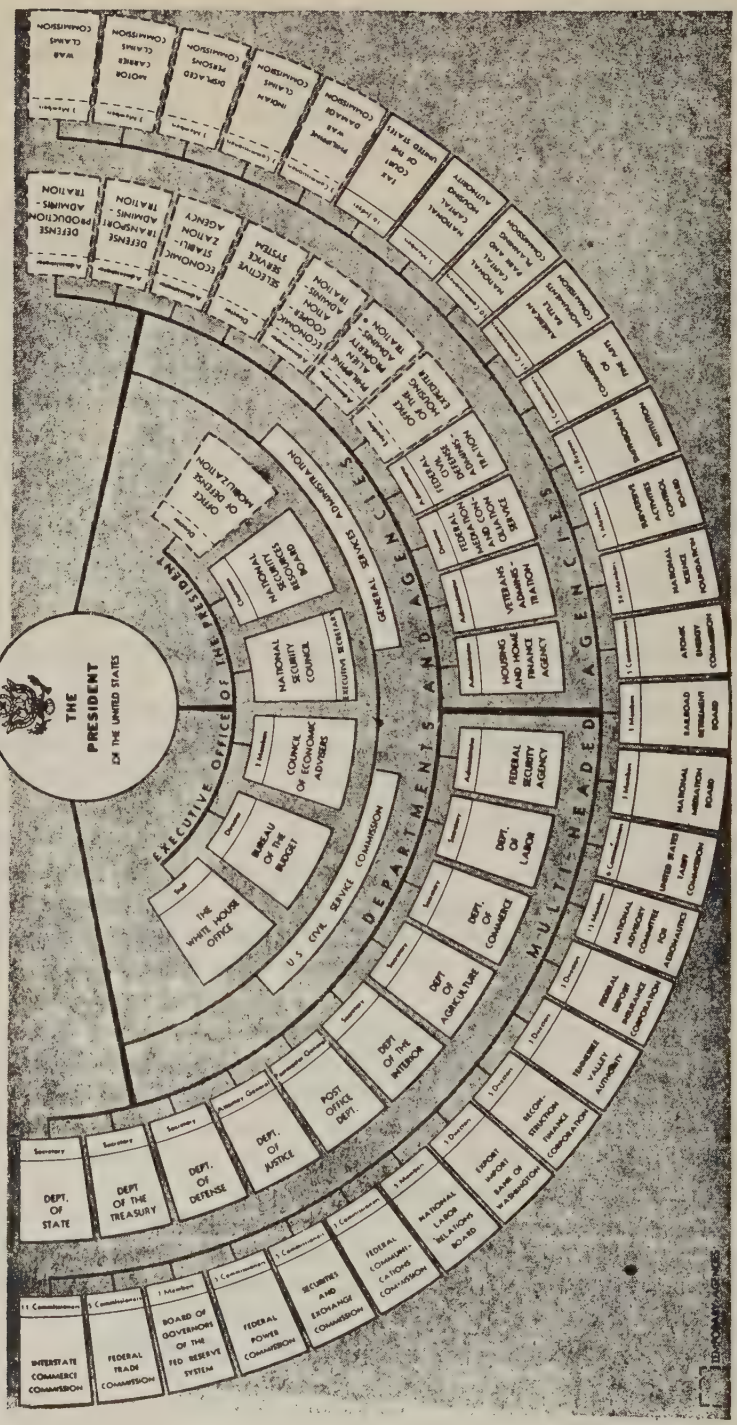
This difference in the position of ministers in the United States and in Europe is reflected in the structure of the organs of the Executive as well as elsewhere (see the scheme of organization diagram on page 282).

A similarity exists in the manner in which ministers are appointed and dismissed. In the United States „they serve at the pleasure of the President", while in the Netherlands Constitution (article 79) we read: „The King appoints and dismisses ministers at His pleasure". This is, however, a formal rather than an actual resemblance. The expression „they serve at the pleasure of the President" has a real and practical application in the United States, more so than in the Netherlands, since here a minister's position depends principally on whether he still enjoys the confidence of parliament.

The whole complex of Executive organs is known in the U.S.A. as the *Executive Branch of the Government*. This will now be described following the lines of the diagram on page 282.

In the upper innermost sector we see on the left hand side the *Executive Office of the President,* which, as will be seen from what follows, functions as the President's staff. In this respect the Office functions as an extention of the President's personality, i.e. its responsibility for doing those things the President himself would do, in the way that he would do them if he had the necessary time, energy and technical specialization to do all of them by himself.

This office consists of five sections which are as follows:



*In the Office of Emergency Management.

1 - *The White House Office.*

This is the secretariat of the President. Some of its members perform functions of the highest importance to the President.

2 - *The Council of Economic Advisers.*

The Council consists of three members appointed by the President on the advice and with the consent of the Senate. This Council assists the President in the preparation of his Economic Report [10]) to Congress; and also publishes its own annual economic review; studies national economic developments and trends; appraises activities of the Federal Government bearing upon the nation's economy and the advancement thereof; develops and recommends to the President national economic policies to foster free competitive enterprise and maintain employment, production, and purchasing power; and furnishes the President with such other reports relating to the Federal economic policy and legislation as the President may request. It works in very close contact with the Bureau of the Budget.

From this description of functions we can conclude that the Council is an advisory board concerned with the broad outlines of the Government's economic policy. As such the Council is comparable with the *Central Planning Bureau* of the Netherlands.

3 - *The National Security Council.*

This Council is an advisory body on national security. It is composed of the President, the Secretary of State [11]), the Secretary for Defense and the Chairman of the National Security Resources Board. A Central Intelligence Agency works under the orders of this Council.

4 - *The National Security Resources Board.*

The Board consists of a Chairman and of heads or representatives of the executive departments and the so-called independent agencies. Its function is to advise the President concerning the co-ordination of military, industrial and civilian mobilization.

5 - *The Bureau of the Budget.*

The duties and organization of this Bureau will be dealt with fully later on, in Chapter V.

The two other sections included in the innermost sector of the chart on page 282 are not on the same plane as the bureaus of the

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10) See diagram on page 280. Item 3.

11) The Secretary of State is the Minister for foreign affairs.

Executive Office. They are auxiliary services for all the other agencies of the Executive as will appear from what follows.

General Services Administration.

This office attends to a number of tasks which have to be performed in almost all the government departments. It is, in the main, a central buying office, which buys in bulk for the other agencies or issues instructions governing purchases made by the agencies themselves. It is in charge of buildings and the utilization or sale, of excess property; it has to organize the keeping of documents and records and as such it is in charge of the national archives.

United States Civil Service Commission.

The activities of the Commission are mainly those of a central personnel office. Its fundamental purpose is to estblish a system of staff selection based on merit; appointments being made upon the basis of demonstrated relative fitness and capability without regard to religious or political consideration.

The Commission's principal activities are:

a - the holding of examinations to test the capabilities and fitness of candidates for government appointments;

b - the supply of the best qualified available personnel to fill positions in Federal agencies; the administration of the Civil Service Retirement Act.

In the middle ring of the chart we first of all see the nine departments and other agencies with single headed direction. In the outer ring appear multi-headed agencies.

An „agency" exists independently of any „department" and consequently reports directly to the President.

The existence of a number of „agencies" or „independent agencies" outside the departments represents an important divergence from government practice in the Netherlands, where each service comes under some Ministry or other.

CHAPTER III

THE ORGANIZATION OF THE GOVERNMENT IN THE NETHERLANDS

§ 11 - *The Legislature.*

Art. 112 of the Constitution reads: „The legislative power is exercised jointly by the King and the States-General" (parliament).

It follows from this provision — which is unrestricted by any other

— that a bill may only become law by means of co-operation between King and Parliament. The legislative power does not, therefore, reside in parliament exclusively, as it does in Congress in the United States.

The States-General.

Art. 8 of the Constitution reads: „The States-General represent the entire Netherlands people".

The States-General are composed of two chambers, the First Chamber and the Second Chamber [12]). The members of the Second Chamber, 100 in number, are elected by the people directly, and those of the First Chamber, 50 in number, by the Provincial Councils (de Provinciale Staten).

(N.B. The Netherlands are divided into 11 provinces, which enjoy a certain degree of autonomy and self-government. Each province is headed by a Provincial Council (Provinciale Staten), directly elected by the people. The president of each of these Provincial Councils is appointed by the Crown and bears the title of Royal Commissioner (Commissaris des Konings). The Provincial Councils meet, as a rule, only twice a year for short sessions during which legislative and other measures are decided upon. The day to day administration of the province is vested in a Provincial Executive elected by the Provincial Council from among its own members, with the Royal Commissioner as its chairman.

The provinces are, in turn, divided into municipalities, which likewise enjoy a measure of autonomy and self-government. The Municipal Councils are also elected directly by the people, while their chairman is the burgomaster, or mayor, appointed by the Crown. Day to day administration of the municipalities is the responsibility of a committee of aldermen, elected by the Council from among its members, and presided over by the mayor. The Municipal Council meets as often as is necessary for the passing of resolutions).

Legislative proposals are put forward by the Crown, or by members of the Second Chamber. It is, however, exceptional for bills to originate in the Second Chamber.

The Crown submits its proposals to the Second Chamber which has the right [13]) to make changes in such a bill's provisions. If the Second Chamber rejects a bill, this is decisive; the First Chamber is not consulted in such a case. Should the Second Chamber pass

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12) These two Chambers may be compared with the Senate and the House of Representatives respectively in the U.S.A.

13) Right of amendment.

the bill with or without amendments, it sends it onto the First Chamber who has no right of amendment and must either accept or reject the bill.

When the Crown has been informed of the acceptance of the bill by both Chambers, it may, or may not, give its approval.

If the Crown approves of the bill, this acquires the force of law and is promulgated by the Crown as such.

Both Chambers of the States-General have the right of investigation.

§ 12 - *The Executive.*

Art. 56 of the Constitution reads: „The executive power is vested in the King."

Here we remark the similarity with the Constitution of the United States according to which the executive power is vested in the President.

But the great difference between the two constitutions in this respect lies in the provisions of article 55, which declares that: „The King is inviolable. Responsibility resides with the Ministers."

It is apparent from this article that, in the Netherlands, ministers have a different and superior constitutional status to those in the U.S.A. They — and not the King — are responsible. This finds its expression in the fact that all documents signed by the King bear the countersignature of one or more Ministers.

The Ministers.

Art. 79 of the Constitution reads, in part, „.....He (the King) appoints and dismisses Ministers at His pleasure..... The Ministers are responsible for the execution of the Constitution and the other laws in so far as this depends upon the King."

This task is assigned to the President, in the U.S.A., in accordance with Art. II, Section 3 of the Constitution (see § 7, p. 278 and the chart on p. 280).

Art. 97 declares that the Ministers shall sit in both Chambers of the States-General. In this capacity their function is exclusively an advisory one.

As a consequence, ministers attend as a rule the meetings of the two Chambers during which bills are discussed, and defend the government's point of view.

Art. 99 provides that: „.....a member of the States-General can not simultaneously be a Minister....."

§ 13 - *The Judiciary.*

Art. 116 of the Constitution declares: „Everywhere in the Kingdom justice shall be administered in the name of the King."

Further, the Constitution provides that there shall be a Supreme Court, known as the High Court of the Netherlands (Hoge Raad der Nederlanden). The Members of this Court are appointed by the King, who, for each appointment, makes a choice out of three candidates proposed by the Second Chamber of Parliament.

Lower courts are governed by a separate law.

Art. 124 of the Netherlands Constitution provides a difference from the Constitution of the U.S.A., as already indicated in § 8. This article declares that „the laws are inviolable".

CHAPTER IV

A BRIEF HISTORICAL SURVEY OF BUDGETARY PRACTICE [14])

§ 14 - *The period 1789—1909.*

In the period from 1789—1921 budgeting was performed very unsystematically. During much of this period a large number of Congressional Committees prepared the appropriation bills and, as a consequence, there was no unity in the budget.

Although the Secretary of the Treasury had to submit to Congress a summary of all the estimates annually (Book of Estimates), his influence on the framing of the budget was very small, because the appropriating committees worked with all kinds of spending agencies directly.

The control of expenditure authorized by the budget was also highly unsatisfactory. Congress applied four successive methods of regulating the use of appropriations.

The principal method of ensuring that the money voted was put to the proper use was to specify in the appropriation acts the objects for which it might be spent (itemizing appropriation acts). This practice not only led to lengthy and detailed appropriations burdensome alike to administrative and accounting officers, but also increased the number of appropriation bills, thus increasing the work of congressional committees and leading ultimately to the break-down of unified consideration of the budget by Congress.

Another method of regulating expenditures was the enactment of detailed and explicit instructions as to how appropriations might, and might not, be used. Such instructions were frequently included in appropriation acts but were also made the subject of separate enactments.

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14) Derived from Selko: The Federal Financial System. Published by the Brookings Institution, Washington.

The purpose of these regulations was the same as that of „itemizing" appropriations, i.e. to correct the many bad habits to which administrative officers proved so prone. But their great weakness was that they encouraged evasion and led to wasteful methods.

Congress was alert to the weaknesses of these methods and applied a third; it appointed committees made up of its own members, on a permanent or ad hoc basis, which committees were charged with the investigation of the manner in which budget money was spent.

In the years following 1909, however, various attempts were made to reform budget procedure.

§ 15 - *The period 1909—1921.*

1 - In 1909 the Sundry Civil Appropriations Act was passed. This Act required the President to recommend to Congress means by which the annual expenditure might be kept within the limits of the estimated revenues. If the estimated expenditure, as submitted by the Secretary of the Treasury in the form of the Book of Estimates (see § 14), should exceed the estimated revenue, the President was to advise Congress how, in his judgment, the estimated appropriations could be reduced with the least harm to the public services so as to bring them within the estimated revenues, or, if such reduction would, in the President's judgment, cause undue harm to the public services, he was to recommend to Congress such loans or new taxation as may be necessary to cover the deficit.

2 - The centralization of tbe budget came about as a result of the initiative of President Taft. He conferred with the various Heads of Departments to discuss the different sections of the budget estimates, and as a result he had a budget drawn up for the fiscal year July 1913—July 1914, which was presented to Congress in February 1913. But the House of Representatives to which this budget was submitted differred from the President as regards political complexion and it laid his budget aside.

3 - Another reform was the creation by Congress in 1916 of the *Bureau of Efficiency,* the aim of which is evident in its title. This bureau was an independent body established to provide a small force of specialists to serve the President and the various administrative heads by studying specific problems of organization and business methods with a view to arriving at constructive recommendations for improvements in the various departments and further, in general, to provide information and recommendations on administrative and legislative matters.

§ 16 - *The period since 1921.*

From the above it is clear that a centralized budget system was

urgently necessary. This was finally introduced by *the Budget and Accounting Act, 1921,* which formed the basis of the present-day Federal Financial System.

A very important amendment was made to this Act by the *Budget and Accounting Procedures Act of 1950,* by means of which it will be possible to reorganize the budget and accounting system on modern, scientific lines.

The provisions of these acts will be fully discussed in the following chapters of this book.

CHAPTER V

THE PREPARATION OF THE BUDGET

(PHASE 1 OF THE BUDGET CYCLE)

§ 17 - *The powers and duties of the President.*

The title of the Budget and Accounting Act, 1921, was: „to provide a national budget and an independent audit of Governmental accounts and for other purposes" [15]).

The Budget and Accounting Procedures Act of 1950 supplemented this by the sentence: „to authorize the President to determine the form of the national budget and of departmental estimates, to modernize and simplify governmental accounting and auditing methods and procedures, and for other purposes."

In what follows we shall use the text of the Budget and Accounting Act as amended by the Budget and Accounting Procedures Act of 1950.

The main provisions of this act are laid down in Section 201, which reads as follows:

„The President shall transmit to Congress during the first fifteen days of each regular session, the Budget, which shall set forth his Budget message, summary data and text, and supporting detail. The Budget shall set forth in such form and detail as the President may determine —

a - functions and activities of the Government;
b - any other desirable classifications of data;
c - a reconciliation of the summary data on expenditures with proposed appropriations;
d.- estimated expenditures and proposed appropriations necessary in his judgment for the support of the Government for the ensuing fiscal year, except that estimated expenditures and pro-

15) „and for other purpose" is a standard expression found in many acts.

posed appropriations for such year for the legislative branch of the Government and the Supreme Court of the United States shall be transmitted to the President on or before October 15 of each year, and shall be included by him in the Budget without revision;

e - estimated receipts of the Government during the ensuing fiscal year, under (1) laws existing at the time the Budget is transmitted and also (2) under the revenue proposals, if any, contained in the Budget;

f - actual appropriations, expenditures, and receipts of the Government during the last completed fiscal year;

g - estimated expenditures and receipts, and actual or proposed appropriations of the Government during the fiscal year in progress;

h - balanced statements of (1) the condition of the Treasury at the end of the last completed fiscal year, (2) the estimated condition of the Treasury at the end of the fiscal year in progress, and (3) the estimated condition of the Treasury at the end of the ensuing fiscal year if the financial proposals contained in the Budget are adopted;

i - all essential facts regarding the bonded and other indebtedness of the Government; and

j - such other financial statements and data as in his opinion are necessary or desirable in order to know in all practicable detail the financial condition of the Government."

By these provisons the President's responsibility for framing an annual budget was incontrovertibly established. Supplementary provisions were, however, still necessary in order to concentrate the task of preparing the budget entirely in the hands of the President. Thus Section 202 goes on to provide that, if the budget should show an estimated deficiency, it is the President's task to recommend to Congress new taxation, or loans, to cover this; while, should there be an estimated surplus, the President must make such recommendations as in his opinion the public interest require.

Further, Section 203 authorizes the President to transmit to Congress proposals for supplemental or deficiency appropriations, stating the reason for these and making recommendations, where necessary, regarding the way in which such extra expenditure shall be met.

Finally, Section 204 gives the President the power to prescribe the form and the contents of the budget.

In order that the President should be able to carry out the task laid upon him by these provisions, it was necessary for him to have a special staff at his disposal. For this purpose Section 207 created

the *Bureau of the Budget*. According to the Budget and Accounting Act, 1921, this new bureau was to come under the administration of the Treasury, but in 1939, with the consent of Congress, the President transferred it to his own *Executive Office*.

§ 18 - *The Bureau of the Budget; its task and powers.*

The Budget and Accounting Act sets forth the several duties of the Bureau. It will be clear that its main task is the preparation of the Budget, which task is laid down in the last sentence of Section 207:

„The Bureau, under such rules and regulations as the President may prescribe, shall prepare the Budget, and any proposed supplemental or deficiency appropriations, and to this end shall have authority to assemble, correlate, revise, reduce, or increase the requests for appropriations of the several departments or establishments."

The execution of this task will be dealt with in § 20. The other tasks, though important, are comparatively minor ones. They are:

A - *The improvement of management and promotion of efficiency in Government departments and agencies.*

This task, which is, indeed, a broad and important one in itself can best be described as the application of the economic principle of greatest result at the smallest cost to governmental management and administration; in the words of the *Procedures Act of 1950:* the task is to „evaluate and develop improved plans for the organization, co-ordination, and management of the executive branch of the Government with a view to efficient and economical service."

In order to carry out this task a bureau, known as the *Division of Administrative Management,* was set up which in a certain sense replaced the Bureau of Efficiency mentioned in § 15.

B - *Statistical Activities.*

In 1933 the *Central Statistical Board* was founded as an independent body to perform the functions of a central statistical co-ordinating agency. The activities of this Board were transferred to the Bureau of the Budget in 1939 for which purpose a new *Division of Statistical Standards* was set up.

The powers of this Division were considerably enlarged by the Federal Reports Act of 1942 whereby all agencies (with a few specified exemptions) are required to obtain approval by the Bureau of the Budget of all questionnaires used to collect statistical information.

The Division's powers were further strengthened by Section 103 of the Budget and Accounting Procedures Act of 1950, which states:

„The President, through the Director of the Bureau of the Budget, is authorized and directed to develop programs and to issue regulations and orders for the improved gathering, compiling, analyzing, publishing, and disseminating of statistical information for any purpose by the various agencies in the executive branch of the government. Such regulations and orders shall be adhered to by such agencies."

The Division's co-ordinating function in the field af statistics is clearly apparent from this definition of its duties.

Another important function of the Division — which is reflected in its official title — is the development of standard definitions and classifications for use of all agencies. A *Standard Industrial Classification,* for example, has been developed under its direction which is used, as far as possible, in all the statistics on the labor force, unemployment, wages, production, etc.

C - *Legislation and Presidential Regulations.*

When, in 1921, the Budget and Accounting Act centralized the preparation of the Budget, the departments and independent agencies could no more apply to Congress independently and individually to ask for appropriations. The frontdoor of the Treasury was closed to them.

But there was a back-door. The departments and agencies could suggest legislation and once such acts were passed they could apply to the Bureau of the Budget for an appropriation, since nearly every act involves expenditure. To close this back-door, too, the Bureau of the Budget asked all agencies to submit to it all their proposals for legislation.

Originally the Bureau of the Budget limited its activity in this respect to purely financial legislation. Since the period 1935—1937, however, it has extended its clearance to all legislation, since most laws involve expenditure of government money, either directly or indirectly.

This extension of the Bureau's activities gave rise to the creation of the *Division of Legislative Reference.* The work of this division can be divided into four groups, viz.:

a - informing those agencies proposing legislation of the President's policy and program in this respect;
b - supply of information to members of Congress wishing to propose bills themselves;
c - activities concerning „enrolled bills";
d - activities concerning Executive orders and Proclamations to be promulgated by the President.

The activities of the Division falling under a) above can best be illustrated by an example.

The Department of Agriculture, for instance, desires legislation to be passed for a given purpose, say, for the drainage of some area. It must first submit its proposal,properly documented, to the Bureau of the Budget.

The Division of Legislative Reference ascertains which other departments or agencies are interested in the proposal, in this case, for instance, the Departments of Interior and of Defense, and sends to such departments a copy of the proposal, asking for their recommendations. The Division itself examines the proposed legislation to see if it is in accordance with the President's program, and also asks for the advice of the Division of Estimates (see § 20) regarding the probable budgetary implication.

If, after the advice of the different departments has been received, it appears that there are great differences of opinion, the Division arranges a meeting of the interested parties to try to arrive at agreement. In difficult cases the opinion of the White House is requested. The Division then informs the Department of Agriculture whether its proposal has been accepted or rejected; in the former case, the Department is also informed of any changes in the proposal that are thought to be necessary.

If its plan receives approval, the Department of Agriculture then looks for a member of Congress to propose the bill. The bill is then handled by a qualified Congressional Committee, one of whose tasks is to seek the advice of the departments and agencies affected. These departments submit their advice to the Division of Legislative Reference to ensure that it is in agreement with the Presidential program.

As regards b) above: when a member of Congress wishes to propose a bill himself, he usually wants to know the attitude of the White House regarding it. The Division of Legislative Reference supplies him with this information.

As regards c) above: according to the Constitution (see § 6) the President must decide upon an „enrolled bill" within ten days. This naturally requires speedy action.

The Division of Legislative Reference receives a number of copies of the enrolled bill from the Printing Office and sends one copy to each of the departments and agencies concerned for their advice, which has to be received within 48 hours. When this has come in, a memorandum is drawn up for the President in which the advice of the Bureau of the Budget is also given. In the case of a proposed veto, a draft-message to Congress is also supplied.

As regards d) above: the course of events in the case of Executive

Orders [16]) and Proclamations follows the same principles as in the case of bills.

Supply of Information to Congress.

The Bureau's responsibility in this respect is laid down in Section 212 of the Budget and Accounting Act, 1921, which reads as follows:

„The Bureau shall, at the request of any committee of either House of Congress having jurisdiction over revenue or appropriations, furnish the committee such aid and information as it may request."

§ 19 - *The Bureau of the Budget — Organization.*

Section 207 of the Budget and Accounting Act, 1921, which created the Bureau of the Budget, provides that there shall be in the Bureau a Director and an Assistant Director, appointed by the President. According to Section 208 the Director, under the regulations prescribed by the President, has the authority to appoint the other employees.

The organization of the Bureau as it was in May 1951, is reflected in the Chart on p. 295, its personnel numbering an odd 500.

In this diagram there are six offices under the Director, of which three, *the Personnel Office, the Administrative Office* and *the Budget and Planning Office* are solely concerned with internal management.

The Budget and Planning Office is responsible for preparing the budget of the Bureau itself, for drawing up a work-plan for the various other offices and divisions and supervising its execution.

The Information Office maintains contact with press and public.

The Office of Defense History was established in February 1951 as a result of instructions from the President, in which he said, among other things, that:

„During this period of national emergency, the Federal Government has found that the historical records maintained during the previous periods of emergency have been of great value. The histories of a number of the temporary agencies of World War II have been especially helpful in current mobilization planning.

I believe that we should analyze the development of our present activities while the problems are fresh in the minds of the participants. Such analyses will help us to solve the problems we shall face in the future.

For these reasons, I should like you to establish a Federal history program for all the agencies engaged in emergency activities. The

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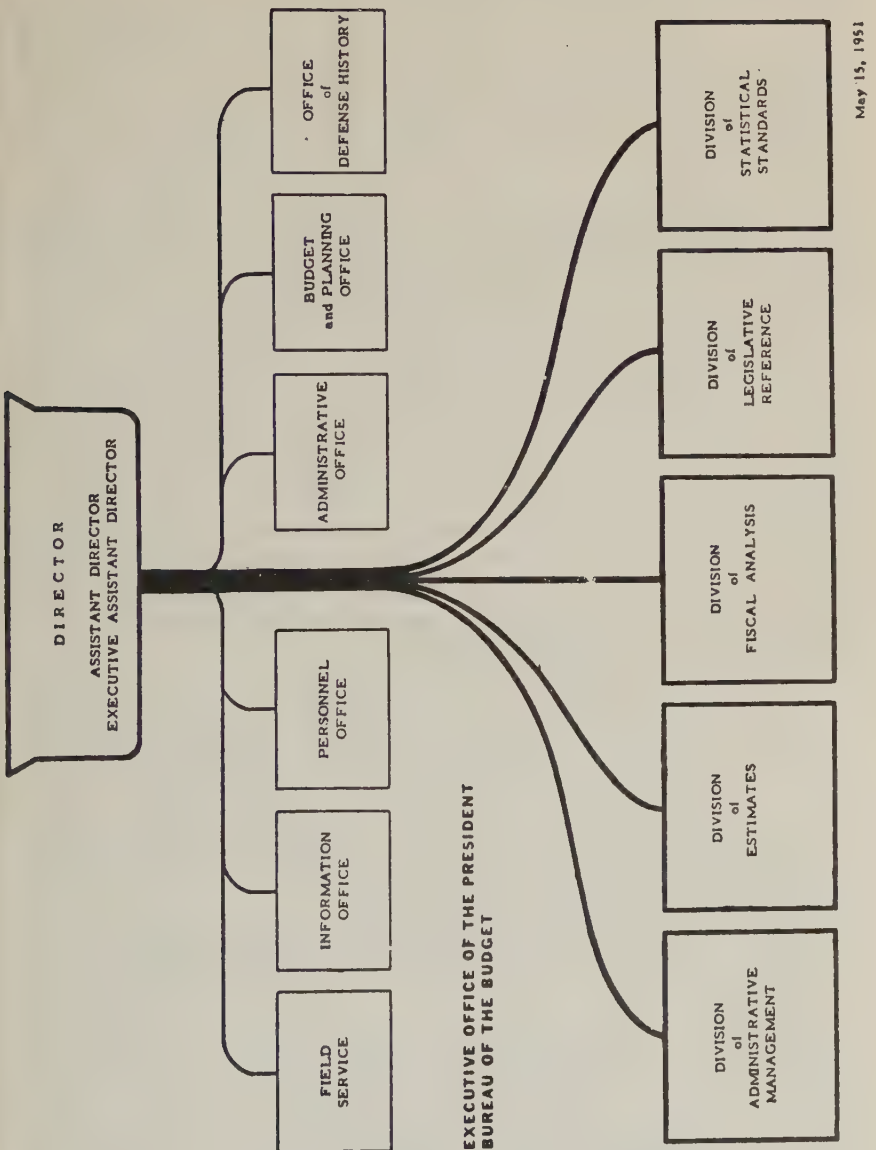
[16]) Comparable to Royal Decrees in the Netherlands.


DIRECTOR
ASSISTANT DIRECTOR
EXECUTIVE ASSISTANT DIRECTOR
FIELD SERVICE
INFORMATION OFFICE
PERSONNEL OFFICE
ADMINISTRATIVE OFFICE
BUDGET and PLANNING OFFICE
OFFICE of DEFENSE HISTORY
DIVISION of ADMINISTRATIVE MANAGEMENT
DIVISION of ESTIMATES
DIVISION of FISCAL ANALYSIS
DIVISION of LEGISLATIVE REFERENCE
DIVISION of STATISTICAL STANDARDS
EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
May 15, 1951

active direction of the program should be undertaken by the Bureau of the Budget, although the preparation of the studies themselves should be carried out by the individual agencies.

I am confident that this program will be useful in improving operations. The studies that result can help orient new officials and give all officials a broader understanding of agency problems and policies. These studies will also assist in the preparation of reports to the Congress."

The Field Service consists of a central office in Washington, D.C., and four regional, or field, offices located in strategic centers of Federal activity outside Washington. It is the job of the Field Service to make „on the spot" investigations, reports, evaluations, and recommendations for the Bureau's five divisions in Washington.

These five divisions appear at the fogt of the diagram on page 295 and, as the diagram shows, each division comes directly under the Director's control.

The work of three of these divisions (Administrative Management, Legislative Reference, and Statistical Standards) has already been described in the previous section. *The Division of Estimates* and *the Division of Fiscal* [17]) *Analysis* remain to be dealt with. These two divisions are very closely co-ordinated and it is their work which justifies the Bureau of the Budget's title.

The Division of Estimates is the largest division of the Bureau [18]). It is divided into eight branches, seven of which deal with the budgetary affairs of the various departments and independent agencies, the other being the Hospitals Branch. Each branch has a number of budget examiners whose main task is to examine the estimates submitted to them. These examiners also perform the work to be described in § 20 and § 32 below.

It is important that these examiners should develop an expert knowledge of the activities of the departments whose budget estimates they have to deal with. It is therefore arranged that when the budget is ready, the examiner visits his „own" agencies for a month or two in order to be able to judge matters better later on. (More intensive study visits are undertaken by the Field Service.)

However, in the opinion of the Bureau itself, these examiners should be „generalists" rather than „specialists" — or better still: „general specialists". For this reason they are transferred from one

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[17]) Fiscal means: financial.

[18]) It has about 200 personnel.

branch to the other from time to time. Besides, if an examiner works in one branch too long, he is likely to feel himself obliged to „defend" the estimates of the agencies he deals with, instead of regarding himself as a critic or „cutter" of them.

Whereas the work of the Estimates Division concerns the analysis of estimates agency by agency, the job of the *Division of Fiscal Analysis* is to analyze the whole government budget program on a broad functional basis and to report on this. In the second place, it takes the leading responsibility in the preparation of the President's annual Budget Message [19]) (see § 20) obtaining its information for this purpose from the following sources: directions from the White House and the Director of the Bureau; acts passed by Congress during the last previous session; wishes expressed by Congress or its members; proposals for legislation from departments and other agencies; and all the tabular work from the Division of Estimates.

The Division prepares also the Mid-Year Review (officially called: *Statement of the President on the review of the ..... budget)*. This document which appears about August, is a statement of the budget figures for the fiscal year just begun (July—June) after Congress has passed the appropriation bills, supplemented with figures of the foregoing fiscal year or years.

The Division of Fiscal Analysis has a Chief Economist whose task among other things is to relate budgetary questions to questions of fiscal policy. He is thus the Bureau's principal representative in dealing with the professional staff of the Council of Economic Advisers, the tax policy staff of the Treasury, and the National Income Unit in the Commerce Department.

Interdivision Co-ordination. A close working relation exists, as it should among the six divisions, each of which is responsible for being sensitive to the problems and needs of the other divisions and for contributing whatever it can to the Bureau's efforts to deal effectively with them.

§ 20 - *The technique of budget preparation.*

The sequence of steps in the preparation of the annual budget can be seen on the chart on page 299. The description set forth below follows this practically item for item. The dates on the chart refer to the calendar year preceding the fiscal year covered

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[19]) Comparable with the Minister of Finance's Budget Message in the Netherlands (Millioenennota).

by the budget itself, beginning on July 1st. All these dates are approximate except that of September 15.

In the period from January to May (not shown on the chart) the examiners of the Division of Estimates have time to visit their agencies to get personal information on the course things are taking in connection with the future budget. In this way they can get a general insight into the needs of the agencies.

In the light of this information and the Presidential program already made known to them, budget policy for the coming fiscal year is developed in the early months of the calendar year.

About April, the Division of Estimates asks the agencies for rough „flash" estimates with some details of the amounts they think of asking for the following fiscal year. After receiving these figures, the Bureau determines the „ceilings", a maximum „planning figure" for each agency's estimates and informs it accordingly.

When the agencies submit their estimates on September 15 they may not exceed these maxima without making a special request for extra amounts with a supporting explanation; such estimates are known as „outside the ceiling" estimates.

In June the Director of the Bureau of the Budget sends his „Policy Letter" [20]) to the agencies in which he lays down the main lines to be followed in preparing the estimates. In this Letter he explains the President's general policy and at the same time gives advice on specific points. For example, the Letter may state that price levels have increased by 5 % and this may be taken into account in framing the estimates, or that public works programs must be slowed up unless any particular project fills an urgent need, etc.

In addition to asking for the amounts of the estimates, the Policy Letter calls for a complete list of proposals for pending and new legislation recommended by the agency, showing the estimated appropriations and expenditures required for each proposal.

Finally, the Letter reminds the agencies of the date, September 15, laid down in Section 215 of the Budget and Accounting Act, 1921, by which time the head of each department and establishment must submit budget estimates to the Bureau. Should he think it necessary, the Director of the Bureau calls the heads of the departments to a meeting at which he informs them verbally of the budget policy, as a supplement to the „Policy Letter". Between the date of the

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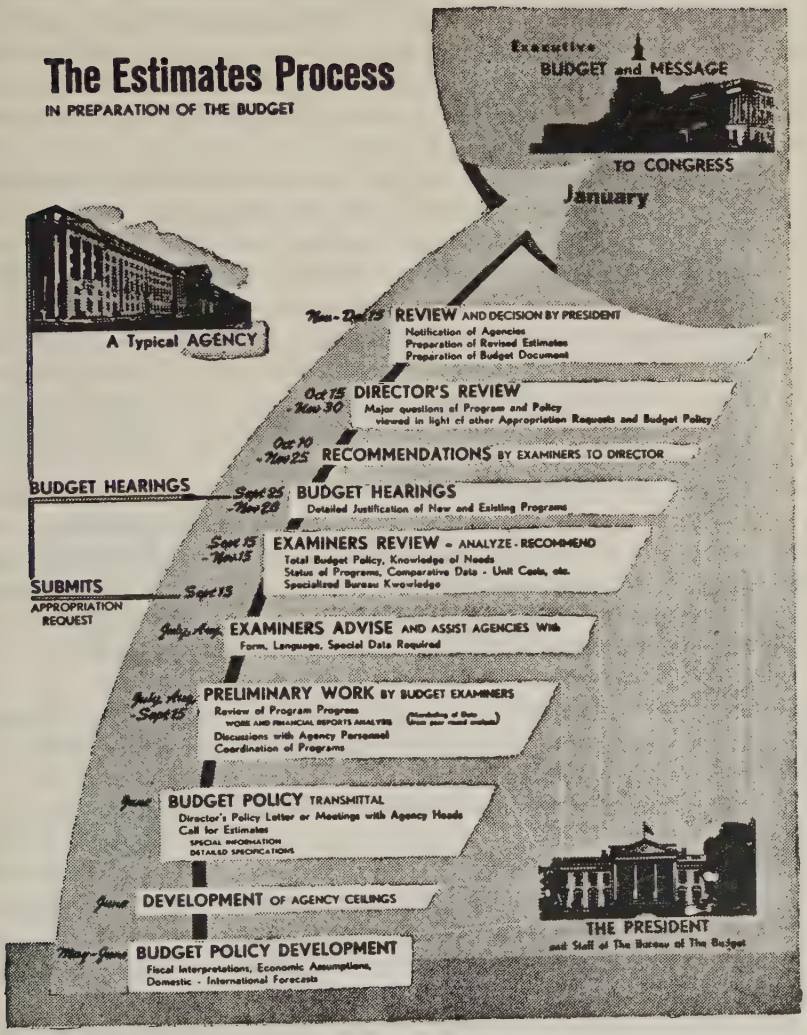
[20]) The Policy Letter itself is short. It is accompanied by instructions for the preparation and submission of annual budget estimates. This comprises technical advice in very great detail. These instructions are circulated once and amended or supplemented in succeeding years.


The Estimates Process
IN PREPARATION OF THE BUDGET
Executive BUDGET and MESSAGE
TO CONGRESS
January
A Typical AGENCY
Nov - Dec 15 REVIEW AND DECISION BY PRESIDENT
Notification of Agencies
Preparation of Revised Estimates
Preparation of Budget Document
Oct 15 - Nov 30 DIRECTOR'S REVIEW
Major questions of Program and Policy viewed in light of other Appropriation Requests and Budget Policy
Oct 10 - Nov 25 RECOMMENDATIONS BY EXAMINERS TO DIRECTOR
BUDGET HEARINGS
Sept 25 - Nov 25 BUDGET HEARINGS
Detailed Justification of New and Existing Programs
Sept 15 - Nov 15 EXAMINERS REVIEW - ANALYZE - RECOMMEND
Total Budget Policy, Knowledge of Needs
Status of Programs, Comparative Data - Unit Costs, etc.
Specialized Bureau Knowledge
SUBMITS
APPROPRIATION REQUEST
Sept 15
July - Aug EXAMINERS ADVISE AND ASSIST AGENCIES With
Form, Language, Special Data Required
July - Aug - Sept 15 PRELIMINARY WORK BY BUDGET EXAMINERS
Review of Program Progress
WORK AND FINANCIAL REPORTS ANALYSIS
Discussions with Agency Personnel
Coordination of Programs
June BUDGET POLICY TRANSMITTAL
Director's Policy Letter or Meetings with Agency Heads
Call for Estimates
SPECIAL INFORMATION
DATA AND SPECIFICATIONS
June DEVELOPMENT OF AGENCY CEILINGS
May - June BUDGET POLICY DEVELOPMENT
Fiscal Interpretations, Economic Assumptions, Domestic - International Forecasts
THE PRESIDENT
and Staff of The Bureau of The Budget

Policy Letter and September 15 the agencies must complete their budget preparations, the work, of course, having already begun months before. This preparatory work is co-ordinated in each agency by a *budget officer,* who performs on an agency scale the same kind of work as the Bureau of the Budget on a government-wide scale.

During all this time the Division of Estimates is in touch with the agencies, either on the initiative of the Division's examiners or of the agency itself. The aim of these discussions is to solve all difficulties beforehand so as to reduce the work that has to be done after September 15 to a minimum.

A very busy time begins for the Division of Estimates on September 15. The examiners must study the budget proposals of the agencies, after which the budget hearings are held, lasting about 8 weeks. Each agency, or part of an agency, for which a separate appropriation is required, is heard separately.

At these hearings, each agency, or part of an agency, is represented by its Head or Assistant Head accompanied by such other officers the Head may think necessary. These officers must explain and defend their estimates. The department or agency itself sends its budget officer.

After the hearings, the Division of Estimates' examiners prepare a report with their recommendations, which they defend before the Director of the Bureau and such top Bureau officials as he chooses, who may vary from year to year (Director's Review). In these review sessions the Director decides on the final information to be submitted to the President. The review must be completed by the beginning of December.

During November and the first half of December, the Director submits his proposals one by one to the White House for the President's review and decision.

The agencies are informed of the President's decisions as these become known. If their estimates have been cut seriously, they occasionally appeal to the Director for a revision. In cases of serious disagreement the appeal may go to the President, who gives his final decision, after having heard the agency head, if he thinks this necessary. After this the estimates are final and are despatched one by one to the printer.

The estimates for the Legislature and the Judiciary must be transmitted to the President on or before October 15 of each year and included by him in the Budget *without* revision (Section 201 (a) of the Budget and Accounting Act, 1921).

No distinction is made in the Budget between current and capital expenditure.

However, for the fiscal year 1951 an analysis has been added to

the Budget for the first time, showing „investment, operating and other expenditure", the so-called „character-classification". Thus a distinction is, in fact, made outside the budget itself.

It will be clear that the other Divisions of the Bureau as well as the Division of Estimates have a very busy time towards the end of the year. Each division must make its contribution to ensure that the Director's Review benefits from the expert knowledge and experience of the whole Bureau. The Division of Fiscal Analysis is kept particularly busy in this period preparing the text of the President's Budget Message. The completion of this Message marks the end of the first phase of the Budget Cycle of the Federal Government.

§ 21 - *Types of Appropriation.*

In order to make clear what is meant by the term „appropriation", extracts from Budget-Treasury Regulation Nr. 1 [21]) concerning appropriations are given below:

An *appropriation* is an authorization by an Act of Congress to make payments out of the Treasury for specified purposes.

> A *one-year appropriation* is one which is available for incurring obligations only during a specified fiscal year.
> A *multiple-year appropriation* is one which is available for incurring obligations for a definite period in excess of one fiscal year.
> A *no-year appropriation* is one which is available for incurring obligations for an indefinite period of time.
> An *unexpired appropriation* is one which is available for incurring obligations during the current fiscal year.
> An *expired appropriation* is one which is no longer available for obligation but is still available for disbursement to liquidate existing obligations.
> A *definite appropriation* is one the amount of which is stated in the appropriation act as a specific sum of money.
> An *indefinite appropriation* is one the amount of which is not stated in the appropriation act as a specific sum of money, but is determinable only at some future date.
> A *permanent appropriation* is one automatically made each year over a period of time by virtue of standing legislation, without annual action by Congress.

The most frequent type is the *one-year appropriation*. Obligations

21) Issued by the Bureau of the Budget and the Treasury Department.

can be incurred on the basis of such an appropriation during the specified fiscal year only; disbursements to liquidate these obligations can be made, however, during this fiscal year and the two following fiscal years.

An example of a *permanent* appropriation is that which provides for the payment of interest on the national debt. This appropriation is also *indefinite* since the amount is not specifically stated. Thus the interest payments are *not* included in the annual budget estimates. (N.B. These amounts are stated in the Netherlands Budget, as estimates, and therefore determined annually by the legislature.)

§ 22 - *Business-type Budgets.*

A special regulation has been made for the preparation of the budgets of Government corporations. The relevant provisions are laid down in the „Government Corporations Control Act" of 1945, in which is stated that it is the „policy of the Congress to bring Government corporations and their transactions and operations under scrutiny by the Congress and provide current financial control thereof." The act makes a distinction between „wholly-owned" and „mixed-ownership" Government corporations. It does not define these terms but gives a list of the corporations meant in each case.

As far as the budget is concerned, the budget provisions governing the first group, as amended by the Budget and Accounting Procedures Act of 1950, are given below:

Each wholly-owned Government corporation shall cause to be prepared annually a business-type budget which shall be submitted to the Bureau of the Budget, under such rules and regulations as the President may establish as to the date of submission, the form and content, the classifications of data, and the manner in which such budget program shall be prepared or presented. The budget program shall be a business-type budget or plan of operations, with due allowance given to the need for flexibility, including provision for emergencies and contingencies, in order that the corporation may properly carry out its activities as authorized by law. The budget program shall contain estimates of the financial condition and operations of the corporation for the current and ensuing fiscal year and the actual conditions and results of operation for the last completed fiscal year. Such budgetprogram shall include a statement of financial condition, a statement of income and expense, an analysis of surplus or deficit, a statement of sources and application of funds and such other supplementary statements and information as are necessary or desirable to make known the financial condition and operations of the corporation. Such statements shall include estimates of operations by major types of activities, together with estimates of administrative expenses, estimates of borrowings, and estimates of the amount of Government capital funds which shall be returned to the Treasury during the fiscal year or the appropriations required to provide for the restoration of capital impairments.

The budget programs of the corporations as modified, amended, or revised by the President, shall be transmitted to the Congress as a part of the annual

Budget required by the Budget and Accounting Act, 1921. Amendments to the annual budget programs may be submitted from time to time.

It is clear from this wording that the intention is to bring the Government corporations within the central budget system, on the understanding, however, that full allowance is made for the special needs of a commercial undertaking, which understanding is crystallized in the expression „business-type" budget.

The possibility exists, however, of a wholly-owned Government corporation being treated exactly the same as a department or agency for budgetary purposes. To this end the Director of the Bureau of the Budget — with the President's approval — must if he deems it practicable and in the public interest, make recommendations to this effect in connection with teh budget program of such a corporation in the Budget. If Congress approves such a recommendation, the corporation concerned becomes subject in subsequent fiscal years to the Budget and Accounting Act, 1921 and not to the Government Corporations Control Act 1945 (see § 107 of that Act.)

CHAPTER VI

THE ADOPTION OF THE BUDGET

(PHASE 2 OF THE BUDGET CYCLE)

§ 23 - *Procedure in the House of Representatives.*

According to Section 7, Article I of the Constitution (see pag 3) the revenue bills by which the budget is financed must originate in the House of Representatives. By custom the annual budget estimates, which must be presented to Congress by the President during the first 15 days of each normal session (which means in practice in the first half of January — see Chapter V, § 17), follow the same route.

The budget estimates are submitted to the House of Representatives' *Committee on Appropriations*. In 1950 this committee consisted of 45 members, composed of representatives of the majority and minority parties on a 3 : 2 basis, and was subdivided into 9 subcommittees, each of 6 members, and each of which dealt with a part of the budget [22]).

The Committee has a staff of about 20 officials, five of which are employed on investigation work. Should more personnel be required for this purpose they are borrowed from the executive departments.

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22) In 1951 the Appropriations Committee consists of 50 members on a 3 : 2 basis breaking down into 10 subcommittees of 5 members each.

The subcommittees conduct hearings during which agency representatives can defend the budget [23]) and outsiders, if they wish, can be heard.

The subcommittee deliberates after the hearings and alters the text of the budget proposals accordingly, a process called „marking up the bill". The subcommittee's proposal is now reported to the plenary committee and usually accepted without revision. Following this, the Chairman of the Committee submits the bill to the House and three or more days later the proposals are dealt with by the „Committee on the Whole" [24]) during which a general debate is held and amendments can usually be submitted. Finally a vote is taken after which the bill is presented to the House for discussion in a regular sitting. During this discussion any member can demand a vote again on the amendments; usually a vote is taken for all the amendments *en bloc,* this procedure amounting to nothing more than a formality. After this the bill as a whole is put to the vote. When the vote has been taken, the bill is passed on to the Senate.

§ 24 - *Procedure in the Senate.*

The procedure in the Senate follows the main lines already described in the preceding section.

The Senate has a *Committee on Appropriations* consisting in 1950 of 21 members composed of the majority and minority party members on a 9 : 5 basis [25]). The Committee is divided into subcommittees, each with 7 or more members so that members have to serve on more than one subcommittee.

In order that no time shall be lost the subcommittee hearings begin immediately after those of the House have finished, that is, *before* the bill has reached the Senate.

Each year the staff of the *Committee on Appropriations* compiles

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23) The agency representatives must support the „President's Budget" and may not, on their own initiative, try to obtain more from Congress, if their original proposals have been cut. It has once happened that a Minister brought forward his own views (which differed from the President's) at the hearings. On the other hand the committees insist upon witnesses expressing their own opinion openheartedly as to whether the amounts named in the estimates are, or are not, sufficient, if they are *asked* to do so.

24) The „Committee on the Whole" is the entire House but the Speaker of the House does not act as Chairman. Clearance in this committee is all the quicker because the quorum is lower than for a regular meeting, i.e. 100 members instead of the majority of the members.

25) In 1951 the Senate Appropriations Committee consists of 21 members on an 11 : 10 basis. In both House and Senate the total size of the Committee, the party ratio, and its internal organization into subcommittees varies from year to year with the political situation in each House.

a book entitled „Appropriations, budgets estimates etc.", which is published as soon as possible after all the appropriation bills have become law.

§ 25 - *Conferences.*

Since the Senate also possesses the right of amendment as regards appropriation bills (see page 275), there will naturally be a difference between the bills which leave the House of Representatives and those accepted by the Senate.

These differences must be cleared up and for this reason „Conferences" are held. Members of both Committees on Appropriations are delegated to these conferences and must try to arrive at compromises. When a difference of opinion concerns an *amount* of an appropriation, as is usually the case, the new amount fixed must not be less than the lowest and not higher than the highest amounts decided upon by the two Houses of Congress.

If agreement is reached at the conferences, it is reported to both Houses of Congress, who usually accept the compromise arrived at. If they do not, new conferences must be held. It is known beforehand, however, that agreement *must* be reached.

After being passed in both the House of Representatives and the Senate, the „enrolled bill" is sent to the President, who must take action as laid down in § 2 Section 7 of Article 1 of the Constitution.

Once the enrolled bills [26]) have become law, the second phase of the budget cycle comes to an end.

§ 26 - *Continuing Resolution.*

If the budget proposals are not ready before the beginning of the fiscal year they cover, as was the case for the year 1950/51 for instance, Congress must give the administration temporary authority to make disbursements in the new fiscal year. This authority is called the *Continuing Resolution,* or stop-gap resolution.

(N.B. This circumstance is provided for in advance in the Netherlands' law. If the budget proposals have not been passed by the beginning of the fiscal year, the Executive may use up to 4/12 of the appropriations granted for the previous year. If the demands of the administration make it inevitable, this limit may be exceeded, though the Minister of Finance must give his consent and both the General Accounting Court and the States-General must be informed.)

To be continued.

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[26]) In 1950, in connection with the budget for the fiscal year 1950/51 all appropriations were, for the first time, included in one bill, an „omnibus bill". Contrary to the wishes of the Executive, the House of Representatives' Committee on Appropriations decided not to continue this procedure for the 1951/1952 budget.

BOOKREVIEW/CRITIQUES

Prof. Dr. Adriani (P.J.A.): Het belastingrecht, zijn grondslagen en ontwikkeling. Deel III - Een boekdeel, 8°, 395 blz. Uitg. L. J. Veen, Amsterdam en „Het Kompas", Antwerpen 1950.

Les deux premiers volumes de ce chef-d'oeuvre de l'éminent fiscaliste, le Prof. Adriani, ont fait l'objet d'un compte-rendu publié antérieurement dans cette revue.

Le troisième et dernier volume de cet excellent ouvrage est caractérisé, comme les deux précédents, par l'exposé scientifique et précis mais néanmoins très clair, qui constitue une des qualités essentielles des publications et de l'enseignement de notre collègue néérlandais.

Cette troisième partie du nouvel ouvrage du Prof. Adriani — consacrée à une série de problèmes actuels, envisagés spécialement en vue de répondre aux nécessités de la pratique — comprend les chapitres XII et XIII.

*

Comme précédemment, eu égard au grand nombre de questions examinées, devrons-nous nous borner à en donner une nomenclature succincte, forcément incomplète.

Le chapitre XII débute par un exposé fouillé relatif aux assujettis de l'impôt: les personnes physiques et les êtres juridiques (par. 51).

Dans le par. 52, le Prof. Adriani fait un examen et une analyse approfondis des notions fort connexes et cependant bien différentes que constituent e.a. la source, le revenu et le capital.

La suite de l'exposé fourmille de détails des plus intéresants au sujet des biens immobiliers (par. 53), des portefeuilles et du capital mobilier (par. 54), des successions (par. 55), de l'entreprise et du travail (par. 56).

En outre, dans les paragraphes suivants, l'auteur traite surabondamment de plusieurs questions particulièrement importantes: l'entrepreneur particulier, le calcul des bénéfices, la fin de l'entreprise, la liquidation, certaines formes de sociétés, etc (par. 57); la société

anonyme et la société commandite par actions: capital, constitution, réorganisation, fusion, etc. (par. 58); la société coopérative: constitution, activité, fusion, transformation et liquidation (par. 59); les associations sans but lucratif: constitution, activité, dissolution (par. 60); le particulier: façon de vivre actuelle et prévoyance pour les vieux jours (par. 61).

Au chapitre final, l'auteur donne une vue d'ensemble de la matière traitée et se pose plusieurs questions concernant les résultats de sa splendide étude.

La question „Avons-nous un système fiscal?" lui donne l'occasion d'insister sur la psychologie du contribuable et sur la nécessité d'un climat favorable, lequel ne peut être créé artificiellement, car en l'espèce des mesures coërcitives ne suffisent nullement.

En ce qui concerne la question de savoir si le droit fiscal se base sur une théorie bien déterminée, le Prof. Adriani, tout en justifiant son point de vue, y répond par la négative et déclare qu'il n'y a pas lieu de s'en plaindre, au contraire!

Enfin, quant à l'évolution de cette matière complexe qu'est le droit fiscal, le Prof. Adriani en cite quelques aspects qui ne manqueront pas de venir prochainement à l'ordre du jour: la codification des textes, le juge unique, l'opposition impôts objectifs — impôts subjectifs, la tendance vers le régime forfaitaire et le développement des tarifs.

L'auteur conclut qu'il en résulte qu'en matière de perception de l'impôt, nous n'avons pas encore atteint une ère de paix et que le législateur en élaborant les modifications éventuellement rendues nécessaires, devra tenir compte d'une limitation très sérieuse.

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L'auteur, jouissant à la fois d'une formation scientifique très développée et d'une grande expérience pratique en matière d'impôts, était tout indiqué pour exposer et résoudre ces multiples problèmes fiscaux. Aussi, nous n'étonnerons personne en affirmant que ce but, poursuivi par l'auteur en publiant son remarquable ouvrage, est pleinement atteint.

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Comme pour les deux premiers volumes, le troisième tome est complété par des données bibliographiques nombreuses, ainsi que par des tables alphabétiques (une pour les législations citées, une autre pour les auteurs cités, et une troisième pour les matières traitées) qui rendent cet excellent ouvrage d'un usage réellement pratique.

Dans ces conditions, tous ceux qui s'intéressent aux problèmes fiscaux auront grand profit à consulter, à relire et à méditer ce véritable traité: ils y trouveront une lumière et un guide des plus précieux.

Nous devons remercier le Prof. Adriani de ses efforts couronnés de succès et le féliciter chaleureusement pour cette prestation remarquable.

F. Amerijkx

CURRENT TRENDS IN PUBLIC BUDGETING IN THE UNITED STATES

BY CATHERYN SECKLER-HUDSON [1])
Washington, D.C.

The past three decades have seen an unprecedented development and improvement in public budgeting in the United States. This development has been a part of the growth of representative government, and until recently the prevailing philosophy of Government in the United States was "that government is best which governs least." However, with the turn of the present century came a gradual realization of the need for more effective regulation of the growing economic and social pressures. Then came the drastic costs of World War I, the increasing requirements arising from civilian demands, the newly tapped source of revenue as a result of the Sixteenth Amendment to the National Constitution, — all calling for a comprehensive and unified budget for the United States to replace the dozens of uncoordinated annually enacted appropriation Acts. The Budget and Accounting Act of 1921 (42 Stat. 20) provided for the establishment of a centralized executive budget system.

Although the provisions of the Budget and Accounting Act of 1921 were basically sound, administrative implementation of the Act tended to emphasize technical and procedural matters until the avalanche of new governmental responsibilities which came with World War II. Only within the past decade has the focus of attention been on the total budget process, — including expenditure, revenue, debt, and borrowing, indeed the whole of fiscal policy and its impact on the economy of the nation and the welfare of the world.

To properly understand the current budgetary process in the United States, the budget must be analyzed in relation to its own background and in relation to the social, economic, and political systems of

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which it is a part. It must be evaluated in terms of the problems and philosophy of the *particular* government which establishes the political and legal framework for its operation. Thus we must understand that in 1921 the budget system of the United States was born into a society dominated by a "laissez-faire" theory of government, a capitalistic economic philosophy, and a self-sufficient population which by and large preferred that its needs and wants be satisfied by the private economy rather than by the government. Little wonder that the total expenditure program recommended in the first Budget Message of President Harding (dated December 5, 1921) was 3.5 billion dollars including the reduction of the principal of the public debt. Total receipts were estimated at 3.3 billion dollars. Contrast these figures with the astronomical budget estimates proposed by President Truman to the Congress on January 15, 1951 which called for an expenditure program of 71.6 billion dollars for the fiscal year 1952, — an increase of 78 percent above expenditures for the fiscal year 1950. Receipts for the fiscal year 1952 were estimated at 55.1 billion dollars, the public debt by the end of the fiscal year 1952 was anticipated to reach 276.3 billion dollars. However, today (July 1, 1951) it is obvious that supplemental appropriations will make these figures only initial ones.

One raises the question: — What has happened to produce such formidable changes in the public budget of this nation? The answer is that the budegt glaringly reflects the political, social, and economic dynamics of its own environment. These dynamics include the brief postwar inflation of the early 1920s; the slump; the steady rise to spurious prosperity in 1928-1929; the economic crash; the protracted depression of the 1930s; the slow recovery to 1937; the slump of 1938; the sudden spurt due to war orders from 1939 to Pearl Harbor (December 7, 1941); the spectacular increase in all indexes of economic activity which came with complete mobilization; the sustained effort of the government to control inflation and stabilize the economy; finally the present gigantic program for military preparedness, international security, and foreign aid; and the expansion of the nation's productive capacity to meet the compelling demands of an anxious world.

Today the budget of the United States wields an important if not controlling influence on every other expenditure program in the world, — private and public. The drastic costs of war and its aftermath, together with increasing civilian demands for governmental services, have brought into being a concept of government which might be stated as "that government is strongest which serves most."

In this new world environment presenting changed conditions and circumstances, what then are the trends in public budgeting in the

United States? The remainder of this paper will attempt to specify some such trends as seem discernible or emerging.

1 - *The Budget of the United States is becoming a world budget.*

Every capital of the world watches anxiously the United States budget figures representing expenditures for our own military strength. Every allied nation is affected by this program. In the Message (dated January 15, 1951) President Truman said:

"This Nation, as the strongest member of the free world, must provide the leadership in this great undertaking by developing its own military forces and, at the same time, assisting the other free nations on a large scale, in order to quickly achieve adequaete mutual defenses." (ml3)

In dollar terms President Truman accordingly included in his proposed budget an over-all estimate of 60 billion dollars as the recommended amount of new obligational authority for military functions for the fiscal year 1952. Admittedly these estimates were tentative.

In addition to our own military program the allied and free nations of the world noted President Truman's statement that the United States must ".....provide assistance on a large scale to other nations working with us in the defense drive." Our assistance program providing for military equipment and economic assistance for other nations, according to the President's request, would call for 10.7 billion dollars of new obligational authority for the fiscal year 1952. These two categories — military services and international security and foreign relations — account for almost 70 percent of the total national budget recommended by the President.

With tentative estimates such as these, almost certain to be enlarged substantially by new and deficiency requests, the domestic and monetary institutions of all nations are influenced. Influences on dollar balances, inflation, business conditions, labor and capital are sure to be felt throughout the world. This might mean further stability or instability for a given country since the form of assistance might shift sharply or differ ".....according to the strategic, political, and economic situation in each free world area requiring assistance." Indeed the far-reaching budget of the United States indicates that this Nation no longer lives in isolation, but rather that this country "has come of age" to operate in a world setting of which it is an integral part.

2 - *There is a gradual reconciliation on the part of the citizenry of the United States to a large and increasing public debt.*

If the budget of the United States continues to be measured in money terms, it seems inevitable that for a long period to come

there will be a huge public debt. The first Budget Message of President Harding (dated December 5, 1921) indicated a public debt of approximately 23 billion dollars and a belief on the part of the President that this could be liquidated. He said:

"With continued pressure for economy in all departments..... the balancing of totals receipts and total expenditures for the fiscal years 1922 and 1923 should be accomplished." (v)

Steadily the debt was reduced to approximately 16 billion dollars in 1931. Judging by the Presidential Budget Messages from 1921 to 1931 the principles of good government continued to be (a) limitation of and control over governmental activities, (b) government economy and efficiency, and (c) a balance between government expenditures and current revenue. But with the great economic depression of the 1930s and the unbalanced economic life of the nation, the debt rose steadily to 42 billion dollars immediately preceding the enormous defense program 1940. Then came the gigantic war effort with the national economy stretched to its utmost of productive capacity, with the war budgets reaching towering heights of almost 100 billion dollars annually, and a national debt skyrocketing to 280 billion dollars by 1946.

Today there is little hope of balancing the budget in the near future. While it is true that there was some decline in the public debt after World War II, largely due to cash reserves in the Treasury, the mounting costs of national defense and international security are once more starting an upward spiral in public expenditures, — and probably in the public debt. The strong plea which is being made in the United States today for a pay-as-you-go mobilization program refers to current outlay of funds rather than to a reduction of the public debt. Allowing for the deflated value of the American dollar in 1951, and allowing for the variations in the value of the several parts of the public debt, any nation must view with concern an obligation approaching 300 billion dollars!

3 - *There is a gradual, though reluctant, reconciliation on the part of the citizenry of the United States to the payment of heavier taxes and to a degree of deficit spending.*

Historically the United States has been one of the most tax-free countries. Sporadic efforts to introduce a personal income tax were unsuccessful until the Sixteenth Amendment to the Constitution in 1913 authorized the Congress to levy such taxes. The early income tax was imposed on incomes in excess of $ 3000 at the rate of 1 percent. The rate of tax on corporate income was the same. Dividends

were exempted from the normal personal tax. During the period of the First World War both the personal income and corporate rates were raised to 12 percent. In the early twenties the corporate rate was raised while the normal personal tax was reduced. In 1936, when dividends were made subject to the normal tax, the relationship between the corporate tax and the net income tax was broken.

Before World War II the trend in public taxation was to rely heavily on business taxes and to spare the individual. As late as 1939 a direct Federal tax was collected from only four million taxpayers although surtax rates were already fairly high. With our entry into World War II, however, all tax rates were abruptly raised and the tax base was considerably broadened. Both Congress and the President began to give serious attention to the revenue side of the budget.

When President Roosevelt submitted his Budget Message to Congress on January 3, 1941, he related the proposed expenditure program to the expected income. However, even at this late date, the President advised that a substantial part of the total defense program should be financed through borrowing. He maintained that there was "no agreement on how much of such an extraordinary defense program should be financed on a pay-as-you-go basis and how much by borrowing." However he did recommend that a start should be made "to meet a larger percentage of defense payments from current tax receipts." The President, in this first war Budget Message, expressed greater concern about a long-run improved tax system than about the immediate necessity for financing the defense program. He urged the study of a comprehensive tax reform which he did not believe could be achieved without readjusting the entire sweep of Federal-State-local fiscal relationships. At this point President Roosevelt obviously believed in a combination of deficit spending, borrowing, and some increase in taxation.

It was in the Budget Message dated January 5, 1942 that President Roosevelt fearlessly recommended that 7 billion dollars in additional taxes should be collected during the fiscal year 1943. In October Congress enacted the Federal Revenue Act of 1942 (56 Stat. 798) and the following year the Current Tax Payment Act of 1943 (57 Stat. 126). Consequently the total receipts of the Federal Government rose from 13.7 billion dollars in the fiscal year 1942 to 23.3 billion dollars in the fiscal year 1943 and to 44 billion dollars in the fiscal year 1944. However, even with the steep increase in taxes, statistics for the fiscal year 1944 reveal that the total Federal expenditure was over 95 billion dollars, or more than twice the amount currently collected from all sources by taxation. Also it is interesting to note that the fiscal year 1943 marked the last year

during which the Federal Government collected more direct taxes from corporations than from individuals. Gradually the American people were becoming reconciled to heavy taxes *and* to deficit spending.

Although the Revenue Act of 1948 (61 Stat. 210), passed over the veto of the President, caused some reduction of individual income tax collections in the fiscal year 1949, it is taken for granted today that shortly the Congress will enact tax legislation increasing taxes sharply for both individuals and corporations. In his Budget Message of January 15, 1951, President Truman bluntly stated that tax increases were imperative. He said:

"When the American people resolved to undertake the defense program now under way, they accepted also the necessity for the increase in their taxes that new level of expenditures requires. National security in the present world can be attained only with direct and heavy cost to each one of us.

"High taxes are indispensable to our successful mobilization. They are required to preserve confidence in the integrity of the Government's finances..... Unless positive action is taken on the tax front, our defense effort will be in continuous jeopardy." (mll)

At the same time the President's résumé of budget receipts indicated that in the fiscal year 1950 over 18 billion dollars had been collected as direct taxes on individuals and almost 11 billion dollars as direct taxes on corporations. Projecting his estimates for receipts for the 1952 fiscal year, the President anticipated collecting approximately 27 billion dollars from individuals, 20 billion dollars from corporations, and with all other taxes and receipts — a gross total of approximately 62 billion dollars of income for the Government. The amount of the increase in debt, said the President, would depend upon the extent to which the projected deficit for the fiscal year 1952 would be reduced through the enactment of additional tax legislation. Gradually, though without appetite for it, the American people are accepting the idea of heavy taxes as being an essential part of the price of world security and of their own increasing demands upon their government.

4 - *Many individuals and groups are accepting the Nation's public debt as a reliable source of investment or savings.*

For the past decade taxation and borrowing have been used by the Government as a means of reducing consumer expenditures and of controlling the spiral of inflation. On the other hand, individuals and organizations regard the public debt of the United States as one of the safest sources of investment or saving. Economic uncertainty has made many investors skeptical of the stock market, or ordinary

bonds, and to some extent of real estate. Economic fluctuations have been such that thousands of investors prefer to loan their savings or capital to the United States Government at a low interest rate, rather than to risk other investments. The increase in the interest payments on the part of the Government since 1939 represents roughly a sixfold increase in the total public debt of the United States. Some variations since 1945 reflect principally changes in interest rates and in the relative amounts of the several issues, together with increases in interest payable on savings bonds as they approach maturity.

Borrowing for World War II, and currently for military defense and international aid, has increased the public debt it is true, but in turn that debt represents the ownership of billions of dollars of Federal securities on the part of the American people and their institutions. Confidence in the financial integrity of the Government remains strong. And interest payments are financed by permanent indefinite appropriations and therefore do not require Congressional action annually. In his Budget Message dated January 3, 1950, President Truman said:

"Interest payments on the Federal debt are widely distributed, and represent a particularly important source of income to certain institutions and groups. Almost 2 billion dollars of interest in the fiscal year 1951 is expected to go to individuals and unincorporated businesses. About 1 billion dollars will be paid to commercial banks and almost 1.5 billion to insurance companies, mutual savings banks, and other private investors." (m83)

In analyzing the ownership of the public debt it is found that individuals and unicorporated businesses hold about one third of the total (chiefly in the form of savings bonds); commercial banks and the Federal Reserve account for another third; insurance companies and private corporations and associations hold about one sixth; and Government agencies and trust funds own the remainder. Little wonder that the management of the public debt is considered to be one of the most significant problems of a solvent Government.

5 - *There is a gradual acceptance of the Federal budget as an instrument for the redistribution of the Nation's wealth.*

For the past several years the proposed budget of the President has summarized governmental spending in terms of about a dozen broad functional categories. The projection of Federal budget expenditures by function for the fiscal year 1952 shows that about 75 percent of the total outlay will be spent for military services, international affairs, and payments to veterans; about 8 percent of the total outlay for interest payments; and 17 percent of the total for all other programs. "All other programs" (with a total expenditure of about 12 billion

dollars) include aid for projects and activities concerning education, labor, housing, agriculture, commerce and industry, transportation, communication, development of natural resources, and social welfare. These functional programs are analyzed in detail in the President's proposed budget, indicating the social need each is designed to serve.

Actually the 1952 budget presents a progressive panorama of a nation's needs (domestic and international) and a choice from these needs of those to be financed by the public economy rather than by private enterprise. The graphic charts relating to the President's Budget Message depict not only the programs for which the expenditures will be made, but also the amounts to be spent for each and the sources from which the money will presumably come. The budget pictures the total flow of money between the Federal Government and the public, reflecting the concept of receipts from and payments to the public in terms of wages and services. Overall, the 1952 Presidential Budget estimates that 26 percent of the total national income will be used for Federal budget expenditures.

Although taxpayers and other contributors to the fiscal resources of the Government are beneficiaries of the Government in terms of many guarantees and services, a careful study of the budget receipts and expenditures reveals an increasing tendency to drain off surplus supplies of money from the owners of it, and to redistribute this money, through the instrument of the budget, to those needs deemed most pressing or worthy by the Government. One need only mention such programs as the extension of unemployment compensation, aids to education, housing developments, extension of social security, international assistance programs, and many others to understand why the difference between "earned salary checks" and "take-home-pay", the difference between the capitalistic empires before World War II, and the highly taxed business concerns of today. Gradually the American people have accepted the concept that only a part of what they earn can be spent as they choose; a substantial part of it must be loaned or given to the Government for the purpose of meeting social needs that demand public attention. The trend in budgeting of giving more attention to objectives to be met, programs and needs to be served, rather than solely to number of dollars to be spent has done much to expedite this acceptance. For it is one matter to urge strongly the reduction of the budget in terms of dollars, — it is quite another matter to be specific about which programs to cut or eliminate.

6 - *There is increasing awareness of the importance of broad and long-range budgetary and fiscal planning.*

In his last Budget Message (dated January 3, 1945) President

Roosevelt included for the first time a statistical table portraying the income and expenditure picture for the economy of the United States *as a whole*. The essence of the new concept (called the Nation's Economic Budget) was that the total receipts and total expenditures of the major sectors of the economy must balance. Within this economy the Government's budget was but one part, — though intricately related to all other parts. Steadily since 1946 the President's Council of Economic Advisers has refined the concept of the Nation's Economic Budget portraying it to include the economic transactions in the four main sectors of the national economy. These sectors are government, consumers, business, and international affairs. The Council analyzes the relationships of these sectors to each other and to the total economy. It develops inventory statistical analyses showing the income and expenditures of the major sectors with the net addition to or absorption of savings by each group thus arriving at the gross national product or income which includes all receipts or payments derived from current production of all goods and services. Thus, in a sense, the Nation's Economic Budget provides a system of national economic accounts for use by those concerned with the formation of public policy. In addition to the statistical inventory data the Council makes analyses of foreseeable economic trends, examines and appraises existing government programs in terms of these trends, interprets its findings, and makes recommendations concerning long-range public policies. Both the President and the Congress are kept currently informed of the work of the Council. Also the Council works in close relationship with the Bureau of the Budget and the Congressional Joint Committee on the Economic Report.

Thus we see that in the United States there is a growing awareness of the need for long-range forecasts and analyses for purposes of public policy formation and for purposes of sound guidance in the development of a fiscal policy in which there is an acceptable blending of government expenditures, revenues, and debt management with their consequent effect on prices, employment, wages and earnings, and productive capacity. Again it is a recognition that no one part of the economy, indeed no one program of any of these parts, can operate entirely independently: — each part must move in relationship to each other part, and in harmony with the whole.

Although many other countries have projected national economic budgets, the significance of such a budget is especially notable in a country in which individuals and organizations have traditionally made their decisions and choices largely unhampered by governmental interference. It may be that the acceptance of long-range and all-inclusive public planning indicates a tendency in the United States to shift from the "laissez-faire" definition of democracy to one which

embraces governmental servicing of the needs of all groups through an equitable allocation of the nation's resources to the entire population.

7 - *The role of the President in the budgetary process is being strengthened.*

Before 1921 the President of the United States was outside the main stream of budgetary administration in his own Government. His authority extended to little more than the legal right to sign or veto appropriation Acts. Today the President is in the center of the budgetary process. He announces the general outlines of his program as a framework for the preparation of agency budgets; he is legally responsible for the formulation of the budget including the coordination of its many parts; he interprets his proposed expenditure and revenue program to the Congress through his Budget Message in which he asks for Congressional approval of his plan; he is responsible for the administration of the budget after the Congress has authorized it; and finally the President is expected to render periodically an account of performance to the Congress, justifying both the programs in the budget and their administration.

The "performance budget" concept, recently revived by the Commission on Organization of the Executive Branch of the Government, basically means a focus of attention on the *ends* to be served by the Government rather than the dollars to be spent. In executive preparation of the budget, therefore, emphasis is centered on justifying *programs and activities* and in relating these projects and activities to past performance and to future governmental objectives. If properly and accurately presented the performance budget would show not only cost, but volume and kind of work to be done, accomplishments achieved, and new activities and programs needed. Certainly it would provide the citizen and the Congressman a clearer base on which to rest his judgements concerning the work done, or proposed to be done, by the Government.

Many administrative improvements in the budgetary process are essential to the success of the performance budget concept. Among these are (1) the consolidation of appropriations in those cases where several appropriations finance the same program; (2) a differentiation in the budget between current expenses, major costs, and transfer payments; (3) the development of a more reliable accounting system for the Government as a whole, and for the agencies in particular; (4) the measurement of both quantity and quality work data; (5) the improvement of management throughout the Federal Government; and (6) a re-study of the nature and degree of Congressional participation in the budgetary process.

Related to each of these developments are a multitude of minor problems and issues. But in general the central problem is that of strengthening the role of the Chief Executive, holding him accountable, and yet preserving effective and sufficient control by the Congress to guarantee responsible representative Government.

Not only because of its magnitude, but principally because of its composition, the Budget of the United States provides one of the most significant indexes to the newer meaning and philosophy of Government in this country. The budget has become much more than a record or an inventory. As President Roosevelt said to the Congress, in his Budget Message dated January 3, 1941:

"The Budget of the United States presents our national program. It is a preview of our work plan, a forecast of things to come. It charts the course of the Nation." (XIV)

RÉSUMÉ

TENDANCES ACTUELLES DANS L'ÉLABORATION DU BUDGET DU GOUVERNEMENT DES ETATS UNIS

Au cours des trois dernières décades on remarque dans l'établissement du budget fédéral des Etats-Unis un développement et une amélioration sans précédents. Ce développement est allé de pair avec l'extension du gouvernement représentatif et, jusqu'à un passé très récent, la devise dominante du Gouvernement des Etats-Unis disait que „le meilleur gouvernement est celui qui gouverne le moins". Toutefois, au tournant du siècle, il fut graduellement satisfait à la nécessité d'un règlement plus effectif des besoins économiques et sociaux toujours croissants. La loi de 1921 sur le budget et les comptes (42 Stat. 20) réglait l'établissement d'un système de budget exécutif centralisé.

Bien que les dispositions de la loi de 1921 sur le Budget et les comptes fussent solidement édifiées, l'application administrative de la loi eut la tendance d'attribuer une plus grande importance aux questions techniques et de procédure, jusqu'à ce que la seconde guerre mondiale vint créer une avalanche de responsabilités nouvelles pour le gouvernement. C'est seulement pendant la dernière décade que l'attention a été concentrée sur le budget dans sa totalité, — y compris les dépenses, les recettes, les dettes et les emprunts, en réalité donc sur l'ensemble de la politique fiscale et sa répercussion sur l'economie nationale et sur la prospérité du monde.

Aujourd'hui, le budget des Etats-Unis exerce une influence importante sinon de contrôle sur tout autre programme de dépenses dans le monde — privé et public. Les dépenses énormes causées par la guerre et ses conséquences, ainsi que les demandes de plus en plus nombreuses de services du Gouvernement dans l'intérêt du secteur civil, ont donné lieu à un concept de gouvernement pouvant être énoncé comme suit „le gouvernement le plus fort est celui qui rend le plus de services."

Dans le monde nouveau actuel, où les circonstances et les conditions ont changé, quelles sont les tendances en matière de budget fédéral aux Etats-Unis? Dans la suite du présent article on s'efforce

de spécifier quelques-unes de ces tendances en tant qu'elles se manifestent.

1 - *Le Budget des Etats-Unis prend le caractère d'un budget mondial*

Les chiffres du budget des Etats-Unis où figurent les dépenses pour nos forces militaires, sont attendus avec un vif intérêt dans les capitales du monde. Chaque pays allié est touché par ce programme.

S'exprimant en dollars, le Président Truman a introduit dans son projet de budget pour 1952 une estimation globale de 60 milliards de dollars, comme montant recommandé des charges nouvelles à des fins militaires, pour l'année fiscale 1952. Etant entendu que ces estimations sont provisoires.

Outre notre programme de défense nationale, les alliés et les peuples libres du monde, la déclaration du Président Truman précise que les Etats-Unis doivent „...procurer assistance dans une large mesure aux autres nations qui collaborent avec nous à l'oeuvre de défense." Notre programme d'assistance, prévoyant les équipements militaires et l'aide économique à d'autres nations, conformément à la demande du Président, nécessitera 10.7 milliards de dollars de nouvelles charges, pour l'année fiscale 1952. Ces deux catégories — dépenses militaires et sécurité internationale et les relations étrangères — représentant presque 70 pour cent de l'ensemble du budget national recommandé par le Président.

2 - *Les citoyens des Etats-Unis s'accoutument petit à petit à l'idée d'une dette publique élevée et croissante*

Si on continue de mesurer le budget des Etats-Unis en unités monétaires, il apparaît inévitable que pendant une longue période à venir la dette publique sera très élevée. Le premier Message du Président Harding, le 5 décembre 1921, relatif au Budget, mentionnait une dette publique d'environ 23 milliards de dollars et le Président exprimait l'espoir que cette dette pourrait être liquidée. Il disait:

„Une plus forte compression des dépenses dans tous les Ministères... permettra d'équilibrer les recettes totales et les dépenses totales pour les années fiscales 1922 et 1923." (v)

Petit à petit la dette fut abaissée à environ 16 milliards de dollars en 1931. Mais la forte dépression économique des années 1930 et suivantes et le déséquilibre de la vie économique de la nation firent monter progressivement la dette jusqu'à 42 milliards de dollars immédiatement à la veille de l'énorme programme de défense de 1940. Vint ensuite l'effort gigantesque exigé par la guerre, l'économie nationale tendue jusqu'à l'extrême de sa capacité de production, des budgets de guerre atteignant des plafonds énormément élevés de

presque 100 milliards de dollars annuellement, et une dette nationale atteignant un sommet de 280 milliards de dollars en 1946.

Un léger espoir apparaît aujourd'hui de pouvoir équilibrer le budget dans un avenir prochain. Alors qu'en vérité une certaine baisse de la dette publique se produisit après la seconde guerre mondiale, baisse due en grande partie aux réserves de caisse du Trésor, l'augmentation des dépenses pour la défense nationale et la sécurité internationale font de nouveau monter la courbe des dépenses publiques — et probablement aussi celle de la dette publique. Le violent plaidoyer qui a lieu aujourd'hui aux Etats-Unis pour un „pay-as-you-go mobilization program" concerne plutôt les dépenses courantes qu'une diminution de la dette publique. Considérant la déflation du dollar américain en 1951 et considérant les changements de la valeur de différentes tranches de la dette publique, toute nation doit envisager avec inquiétude une obligation approchant 300 milliards de dollars!

3 - *Les citoyens des Etats-Unis s'accoutument de plus en plus, bien qu'à contre coeur, à l'idée de payer de plus hauts impôts et, dans une certaine mesure, à celle d'un „deficit spending"*

Historiquement, les Etats-Unis ont été un des pays où il y avait le moins d'impôts. Avant la seconde guerre mondiale, la tendance pratiquée en matière d'impôts publics était d'imposer lourdement les entreprises et d'épargner les personnes.

Ce fut dans son Message sur le projet de Budget, en date du 5 janvier 1942, que le Président Roosevelt demanda hardiment que, pendant l'année fiscale 1943, un supplément d'impôts soit perçu jusqu'à un montant de 7 milliards de dollars. En octobre, le Congrès promulgua la loi de 1942 sur les revenus fédéraux (56 Stat. 798) et l'année suivante la loi de 1943 sur le „Current Tax Payment" (57 Stat. 126). En conséquence, le total des recettes du Gouvernement Fédéral montèrent de 13.7 milliards de dollars en 1942 à 23.3 milliards de dollars en 1943 et 44 milliards de dollars en 1934. Cependant, en même temps que la forte élévation des impôts, les statistiques de l'année fiscale 1944 font voir que les dépenses fédérales totales dépassaient 95 milliards de dollars, soit plus du double du rendement général de toutes les sources d'impôts. Il est aussi intéressant de noter que l'année fiscale 1943 a été la dernière année pendant laquelle le Gouvernement Fédéral a perçu un montant plus élevé en impôts directs des sociétés que des personnes.

Dans son Message sur le Budget du 15 janvier 1951, le Président Truman affirma catégoriquement la nécessité impérieuse d'une augmentation des impôts. Il s'exprima ainsi:

„Lorsque le peuple américain décida de souscrire le programme de défense actuellement en voie d'accomplissement, il accepta aussi la nécessité de l'élévation des impôts que réclame le nouveau niveau des dépenses. La sécurité nationale, dans le monde actuel, ne peut être réalisée qu'au prix de sacrifices financiers immédiats et élevés de la part de chacun d'entre nous.

„Des impôts élevés sont indispensables pour le succès de notre mobilisation. Ils sont nécessaires pour le maintien de la confiance dans l'intégrité des finances du Gouvernement ..... A moins que l'on adopte une attitude positive sur le front fiscal, les efforts en vue de notre défense nationale seront perpétuellement en dangers." (mll)

En même temps, dans son exposé résumé du Budget des recettes, le Président signala que pendant l'année fiscale 1950 plus de 18 milliards de dollars ont été perçus sous la forme d'impôts directs sur les personnes physiques et environ 11 milliards de dollars d'impôts sur les sociétés. Dans ses estimations des recettes pour l'année fiscale 1952, le Président supputa une perception d'environ 27 milliards de dollars sur les personnes physiques, 20 milliards de dollars sur les sociétés, et, en ajoutant tous les autres impôts et recettes, il totalisa un montant brut d'environ 62 milliards de dollars comme recettes du Gouvernement. Petit à petit, mais sans grand enthousiasme, le peuple américain accepta l'idée que des impôts élevés forment une partie essentielle du prix de la sécurité mondiale et des exigences plus nombreuses qu'ils posent au Gouvernement.

4 - *Nombre de personnes et de groupements considèrent la Dette publique comme une source sûre d'investissement ou d'épargne*

Pendant la dernière décade, les impôts et les emprunts ont servi au Gouvernement de moyens de faire baisser les dépenses du consommateur et de contrôler la courbe d'inflation. D'autre part, les personnes physiques et les sociétés considèrent la dette publique des Etats-Unis comme une des sources les plus sûres d'investissement ou d'épargne. L'incertitude de la situation économique a rendu nombre de capitalistes sceptiques à l'égard du marché de fonds publics, ou des titres courants, et en ce qui concerne des investissements en valeurs immobilières.

Les emprunts pour la seconde guerre mondiale et pour la défense nationale ainsi que l'aide internationale ont fait monter la dette publique, sans doute, mais en revanche, la dette représente la propriété de milliards de dollars d'obligations fédérales de la part du peuple américain et de ses institutions. La confiance en l'intégrité financière du Gouvernement est inébranlée. Le service des intérêts est financé par des allocations illimitées permanentes et ne requiert pas une intervention annuelle du Congrès. Dans son Message du 3 janvier 1950, relatif au Budget, le Président Truman disait:

„Le paiement des intérêts de la Dette Fédérale est largement effectué et représente une source particulièrement importante de revenus pour certains groupements et institutions. Presque 2 milliards de dollars d'intérêts seront probablement payés, pendant l'année fiscale 1951, à des personnes physiques et à des sociétés non syndiquées. Environ 1 milliard de dollars sera payé à des banques de commerce et presque 1.5 milliard à des compagnies d'assurances, des caisses mutuelles d'épargne et autres capitalistes." (m 83)

Si on analyse le genre de détenteurs de fonds de la dette publique, on constate que des personnes physiques et des sociétés détiennent environ un tiers du chiffre total (principalement sous la forme de titres d'épargne), des banques commerciales et les Banques Fédérales de Réserve un autre tiers; des compagnies d'assurances et des sociétés et associations privées détiennent environ un sixième, et des Agences Gouvernementales et des Caisses syndicales possédaient le reste.

5 - *Le Budget Fédéral est de plus en plus reconnu comme un instrument de redistribution de la propriété nationale*

Pendant les dernières années, le budget présenté par le Président a énuméré des dépenses concernant environ une douzaine de catégories. Le projet de dépenses budgétaires pour l'exercice 1952 fait voir qu'environ 75 % des dépenses totales se rapporteront à la défense nationale, aux affaires internationales et aux allocations aux anciens combattants; environ 8 % des dépenses totales se rapporteront aux services d'intérêts, et 17 % du total à tous les autres programmes. „Tous les autres programmes" (représentant un total de dépenses d'environ 12 milliards de dollars) comprennent des crédits affectés à des projets et activités concernant l'éducation, le travail, les logements, l'agriculture, le commerce et l'industrie, les transports, les communications, le développement des ressources naturelles, et le bien-être social. Ces programmes sont analysés en détail dans le budget proposé par le Président où sont indiqués (les besoins d'ordre social) auxquels ils devront être affectés.

A présent, le budget de 1952 présente un aperçu progressif des besoins d'une nation (intérieurs et internationaux) et un choix, parmi ces besoins, de ceux qui doivent être financés par l'économie publique plutôt que par l'entreprise privée.

Bien que les contribuables et autres personnes contribuant aux ressources fiscales du Gouvernement, profitent du Gouvernement sous la forme de nombreux services et garanties, une étude attentive des recettes et des dépenses du budget fait voir une tendance croissante de drainer l'excédent d'argent de leurs propriétaires, et de redistribuer cet argent, via le budget, en faveur des besoins que le Gouvernement estime le plus urgents ou importants. Un seul de ces besoins mentionne les points suivants: augmentation de l'indemnité de chômage, crédits

à l'éducation, augmentation du nombre des logements, extension de la sécurité sociale, des programmes d'aide internationale, et nombre d'autres, qui font comprendre la différence entre "earned salary checks" et "take-home-pay"; et la différence entre les empires capitalistes d'avant la seconde guerre et les entreprises fortement imposées d'aujourd'hui. Petit à petit, le peuple américain s'est accoutumé à l'idée de ne pouvoir dépenser comme il le désire qu'une partie de son revenu; une importante partie doit être prêtée ou donnée au Gouvernement afin de subvenir à des besoins sociaux qui réclament l'attention des pouvoirs publics.

6 - *On a, de plus en plus, conscience de l'importance d'établir des plans budgétaires et fiscaux étendus et à longue portée*

Dans son dernier Message relatif au Budget (le 3 janvier 1945), le Président Roosevelt introduisit, pour la première fois, un tableau statistique où figurait un aperçu des recettes et des dépenses pour l'économie des Etats-Unis *dans leur ensemble*. L'essence de ce nouveau projet (dénommé Budget Economique National) consistait en ce que le total des recettes et le total des dépenses des principaux secteurs économiques devaient s'équilibrer. De cette économie, le budget du gouvernement ne formait qu'une partie, mais elle se rapportait d'une façon compliquée à toutes les autres parties. Depuis 1946, les Conseillers économiques du Président ont constamment amélioré le plan du Budget Economique National de façon à y introduire les transactions économiques des quatre principaux secteurs de l'économie nationale. Ces secteurs sont le Gouvernement, les consommateurs, le monde des affaires et les affaires internationales. Ce Conseil étudie les relations qui existent entre ces secteurs et entre ces derniers et l'économie dans son ensemble. Donc, dans un sens, le Budget Economique National pourvoit à un système de comptes d'économie nationale à l'usage de ceux qui ont pour mission de former la politique nationale. Tant le Président que le Congrès sont tenus au courant des activités du Conseil. Egalement, le Conseil travaille en relation étroite avec le Bureau du Budget et la Commission mixte du Congrès pour le Rapport Economique.

Nous voyons donc qu'aux Etats-Unis on a de plus en plus conscience de la nécessité de prévisions et d'études à longue portée en vue de la formation de la politique du pays et dans le but de donner un sain développement à la politique fiscale réunissant de façon acceptable les dépenses, les recettes et la dette gouvernementales avec leurs conséquences sur les prix, l'emploi, les salaires et les gains, et la capacité de production. Ceci démontre de nouveau qu'aucune partie de l'économie, aucun programme ou aucune de ces parties ne peut être entièrement indépendante; chaque partie doit être en relation

avec chacune des autres parties et être en harmonie avec l'ensemble.

Quoique plusieurs autres pays aient élaboré des budgets économiques, l'importance d'un tel budget est spécialement considérable dans un pays où les individus et les organisations ont, de tradition, pris leurs décisions et fait leur choix sans être gênés par l'intervention du Gouvernement.

7 - *Le Président joue un plus grand rôle dans la confection du Budget*

Avant 1921, le Président des Etats-Unis était à l'écart des principales administrations budgétaires de son propre Gouvernement. Son autorité ne s'étendait guère au delà de son droit légal de sanctionner les lois de finance ou d'y opposer son veto. Aujourd'hui, le Président est au centre des opérations d'élaboration du budget. Il fait connaitre les points principaux de son programme qui forment la charpente (le cadre) pour la préparation des budgets des organismes exécutifs; il est légalement responsable de l'élaboration du budget y compris la coordination de ses différentes parties; il recommande devant le Congrès son programme de dépenses et de recettes dans un Message où il demande l'approbation de son plan par le Congrès; il est responsable de l'administration du budget après que le Congrès a donné son autorisation, et, finalement il présente périodiquement au Congrès un rapport dans lequel il rend compte des programmes du budget et de leur administration.

L'idée du "performance budget" [1]), récemment reprise par la Commission d'Organisation des Services Exécutifs du Gouvernement, vise à former un centre d'attention pour des *buts* à atteindre par le Gouvernement plutôt que pour les crédits à dépenser. Dans la préparation du budget il est donc donné une plus grande attention à la justification des *programmes et activités,* et il est établi un rapport entre ces projects et activités avec les activités antérieures et avec les objectifs futurs du Gouvernement. S'il est élaboré avec soin et exactitude, le "performance budget" fera non seulement connaitre les frais, mais aussi le volume et la nature des activités à accomplir, celles qui ont été réalisées et les nouveaux programmes et activités nécessaires.

Plusieurs améliorations administratives au procès budgétaire sont d'une importance essentielle pour le succès du "performance budget". Parmi ces améliorations nous citons: (1) la consolidation de crédits dans les cas où divers crédits sont affectés aux mêmes programmes; (2) une différentiation entre dépenses courantes, principales dépenses de capital, et paiements par transfert; (3) le développement d'un système plus sûr de comptabilité pour le Gouvernement en général et

[1]) "Performance budget": budget fondé, centré sur les activités des administrations.

pour les organismes exécutifs en particulier; (4) la mesure des données relatives à la quantité et à la qualité du travail; (5) l'amélioration de l'administration dans le Gouvernement Fédéral; et (6) un examen nouveau de la nature et de la mesure de la participation du Congrès à la procédure budgétaire.

A chacun de ces points se rapporte une multitude de problèmes et de publications moins importants. Mais, en général, le problème central consiste à renforcer le rôle du Chef de l'Exécutif, le rendant responsable, assurant un contrôle effectif et suffisant par le Congrès pour garantir que le Gouvernement représentatif accomplit sa tâche conscient de sa responsabilité.

A FURTHER REPORT

BY URSULA K. HICKS
Oxford, June 1951

In the summer of 1950 some members of the Shoup Mission — Professor Shoup himself, the two others Columbia Professors and Professor Surrey of Harvard — paid a second visit to Japan and issued a further report which only came to hand while the foregoing was in the press. The new documents [1]) are by way of a progress report on the first year's working of the reforms; for, as was foreseen, the main recommendations of the Mission were quickly embodied in legislation. On the whole the verdict is favourable; it is evident that tremendous efforts are being made by the Japanese administrators to carry out not merely the letter but the spirit of the reforms.

So far not much progress has been made with the more advanturous reforms in the direct tax structure; it is evident that the income and profits tax, and the Mission's determination to make it the major fiscal weapon, are giving enough trouble to keep the Administration fully occupied. It is recorded that there is still such chronic under-assessment that firms are unwilling to use the new simplified "blue forms" for their returns, lest they should lose the practical advantages of the normal forms. On the other hand the foundation of a professional accounting assocation has been taken up with enthusiasm.

It appears that the heavier reliance on alcohol taxes which the Mission had planned just does not work; in the continued absence of customs duties this again throws the weight back on income taxes, and there may not be room in the structure for the local authorities to impose straight "centimes additionels" on top of the national tax progression. By far the greatest interest in the new report however is the section on the equalisation Grant and the working of the Local Finance Commission set up to look after it and related matters.

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[1]) Consisting of a summary report and three supporting memoranda, (i) On the Equalisation Grant and the work of the Local Finance Commission, (ii) On the Administration of National Income Taxes, (iii) On the administraton of the Municipal Property Tax and Local Inhabitants Tax.

As it has now been worked out by legislation and the L.F.C. there are four stages in the determination of the Equalisation Grant which will accrue to any Local Authority. Given the condition of national finances, it is admitted to be necessary for the total available to be fixed by the national government. The first step is to divide this sum into two, one share for the prefectures and the other for the municipalities. This dichotomy the L.F.C. takes upon itself, on the basis apparently of former revenues lost under the new system [2]). The relative shares of the different local authorities are then determined according to the ratio by which Basic Financial Need exceeds Basic Financial Resources. B.F.R. is defined as 70 % of the standard revenue which would be obtained from the standard taxes levied at the standard rates. B.F.N. is in principle based on the number of units required of standard services, multiplied by standard unit service costs.

Standard units have been estimated by the L.F.C. by taking samples representing varying conditions of such things as climate, population density and level of industrialisation. These, together with certain factors which are considered to be particularly related to the cost of particular services (there is a mysterious relation for instance between snowfall and the cost of police services), go to make a series of "adjustment factors" which form the third step in detemining the grant, Finally some allowance is made for quality of service, thus technical high school education is given a weight of 1 : 30 in relation to ordinary high school.

The equalisation grants however are not awarded precisely on the base thus determined. First the cost of services aided by specific grants are excluded from needs, and secondly the total is scaled down in the interests of the national exchequer, by squeezing those services deemed least essential, by means of equal percentage cuts to all local authorities. The first of these modifications would tend to increase the degree of equalisation with any given grant; the second would work in the same direction. On the other hand the limitation of B.F.R. to 70 % of standard taxes (a device which has been adopted to safeguard against deliberate underassessment to attract more grant), tends to reduce the degree of equalisation quite considerably, by giving a larger proportion of the total to the wealthier authorities.

Obviously the present solution of these very difficult problems falls considerably short of the ideal system planned by the Mission. On the expenditure side B.F.N. is in practice based on the number

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2) A method which is hardly consistent with The Mission's desire to provide relatively more funds for the municipalities.

of units supplied, multiplied by standard unit costs, the latter being estimated by the L.F.C. by sampling. This method works reasonably well where there is an objective measure of need, such as the number of children of school age; but even then there is a difficulty in determining the optimum distribution of children between schools, and some danger of the inflation of the number of schools in order to attract more grant. (In the U.K. this problem is dealt with by giving the education grant on technical grounds, but allowing a weight in the general grant for the number of children of school age.) Greater difficulties are being met in determining the number of units required in respect of a service such as roads, and the Mission discerns a tendency to award grant on the basis of existing services, thus giving the grants to the areas with most roads; this may be the very opposite of the desirable relation.

Owing to difficulties of this nature, and also to the working of the adjustment factors, standard unit expenditure tends to diverge very considerably from actual expenditure. This, as the Mission remarks, would make the figure useless as a guide to the total grant required when it becomes possible to remove the ceiling due to the exigencies of national finance. No doubt however this difficulty can be dealt with when the time comes. Even if the grant were based directly on actual expenditures it would be much less susceptible to influence by the action of particular local authorities than its British conterpart. Since the Japanese grant is based on averages, individual towns would be able to move it hardly at all by a high propensity to spend.

On the revenue side Basic Financial Recources are at present based only on revenue *estimates*. This is clearly unsatisfactory, and the Mission recommends that the final instalment of grant should be moved over to a base of actuals as quickly as possible. As might be expected extraordinary difficulties are being experienced in reaching a measure of financial resources which is not influenced by the way in which a community assesses its taxes. In practice B.F.R. is based on three taxes: (i) the local inhabitants tax, (ii) utility taxes (eg. charges for gas, electricity etc.,) (iii) the local property tax. The first will normally be determined by national valuations, so is not directly susceptible to local manoeuvring. The second the Mission is prepared to trust because rates are fixed by the utility companies "on technical grounds". While it is true that individual towns may not be able to alter their assessment base for these taxes, it would surely be unusual to find utility rates fixed with such scientific precision that a considerable arbitrary element would not enter into the grant base on this account.

The worst troubles however are concerned with base of the local

property tax. Apparently no machinery exists for checking valuations, much less for ensuring uniformity in valuation practice. To get round this difficulty the Mission puts forward various suggestions, ranging from borrowing the services of an outside body (such as the Association of Municipal Corporations) to secure uniform valuations, putting the valuation job on the shoulders of the prefectures, or taking the property tax out of the B.F.R. basis completely. If this last alternative were adopted B.F.R. would come to depend almost wholly on national tax valuations. This would have the advantage that any desired degree of equalisation could be achieved, so long as the income tax element was large; such a practice would only be unfair to communities who preferred abnormal local tax structures. If the income tax valuation base in the Equalisation qrant increased beyond a certain point however it would lose all relation to the rates of inhabitants tax which it was practicable to allow the local authorities to raise; this might give rise to misunderstanding concerning the "rights" of local authorities.

In respect of the prefectures the Mission now realises that there is not one single tax which can readily be assessed in a manner which is independent of the actions of the local bodies, so that the attainment of an objective standard of B.F.R. is even more difficult. Presumably the way out of this dilemma is either an elaborate system of checks of local tax methods (which is almost unthinkable in the foreseeable future) or recourse to some simpler measure of B.F.R. It is clearly essential to evolve some objective base, however crude, since in the subsequent stages of the calculation of the grant there are a number of points on which the L.F.C. must necessarily exercise its own judgment. These are quite sufficient to lead to misunderstandings and to suspicions of rigging if the Commission does not walk warily.

THE BUDGET CYCLE IN PUBLIC FINANCE IN THE UNITED STATES OF AMERICA

BY O. BAKKER
Rotterdam

CHAPTER VII

THE EXECUTION OF THE BUDGET
(PHASE 3 OF THE BUDGET CYCLE)

Section A - General Introduction

§ 27 - *Preparation for the use of Appropriations* [1]).

As soon as the budget has been enacted the Executive is authorized to incur obligations and to liquidate them by payments within the limitations of the appropriations.

The obligations are incurred by the government services responsible for executing those parts of the government program entrusted to them. In the Federal Administration the unit which is responsible for executing a separate program is, in general, a bureau of a department or of an independent establishment or an independent establishment itself.

In what follows the term „bureau" will be used to designate an administrative unit which is also a fiscal unit, i.e. which has its own independent bookkeeping under the control of a „fiscal [2]) officer".

It is, of course, the responsibility of the chief of the bureau to take care that the obligations incurred by his bureau do not exceed the amount of the appropriations available therefor; it is also his duty to ensure through his fiscal officers and the higher administration (the Treasury Department) that the payments do not surpass the appropriations.

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[1]) See § 21.
[2]) Fiscal means: financial.

The last mentioned duty has in general been performed very adequately, even in early times; the first-mentioned, on the contrary, has often been violated, necessitating deficiency appropriations. Before the centralization of the budget procedure, the evil of deficiency appropriations occurred so frequently that Congress had to pass more than one act against it (see Chapter IV).

An appropriation, granted by Congress, means to the Executive a possibility but not, in general, a necessity or duty, to make disbursements [3]).

For this reason, it is the duty of the higher levels of the Executive to instruct the bureaus whether and to what extent they may incur obligations and make disbursements. The sequence of activities is as follows.

1 - After the budget proposals have become law, an „appropriation warrant" is made out by the Section of Appropriation Analysis of the Treasury Department; in this warrant appear the description of the appropriation and the code numbers, or symbols, as determined by the Treasury. The warrant is signed in the Treasury Department and sent to the Comptroller General for countersignature, and after this has been obtained, a certified copy of the warrant is forwarded to the agency for which the appropriation is destined, which agency informs the bureau concerned.

It may seem somewhat strange that the Comptroller General's countersignature is required, since the appropriation has already been determined by law. However, the definitions in the Appropriation Acts are often very vague, limitations are not always clear-cut, while, for some purposes, the amounts of the appropriations are not precisely fixed; for example, appropriation of moneys arising from the sale of existing property for the purpose of buying new equipment.

It is necessary, therefore, that there should be some authority which can make decisions in these cases. This authority is the Comptroller General since it lies with him to say what may, and what may not, be paid. This follows from the wording of Section 304 of the Budget and Accounting Act, 1921, which reads: „..... the balances [4]) certified by the Comptroller General shall be *final* [5]) and *conclusive* [5]) upon the executive branch of the Government."

2 - An appropriation is a *maximum* sum intended for a definite purpose. At the same time the law also seeks, as far as possible, to prevent more money being spent than is strictly necessary and charges

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3) The payment of interest on the public debt forms an exception.
4) These are the balances of the „disbursing and collecting officers".
5) Author's italics.

the Bureau of the Budget with the task of keeping a watch on the use of appropriations. The Bureau does this by the *apportionment* of funds, by which the agencies receive funds by stages and can have money withheld from them.

The apportionment scheme has two aims; the first and original aim is to prevent bureaus exceeding the appropriations and the second, to promote economical use of the credits.

To obtain apportionments the agency bureaus have to submit to the Bureau of the Budget an *Apportionment Schedule* (see specimen form (standard Form 131) on page 345) in which they ask for a specific spreading over the year. The Division of Estimates studies this request, comes to a decision and informs the agency accordingly. The apportionment generally states the amount for use in each quarter of the year, while a certain amount may be held in reserve. If the agency bureau wishes to change the quarterly apportionments or to dispose of the reserve, it sends its request to the Bureau of the Budget on a Reapportionment Schedule (Standard Form 132). The Bureau of the Budget may also alter an apportionment on its own initiative.

New regulations have been laid down by the General Appropriation Act, 1951, against the exceeding of appropriations and apportionments. Officials who wilfully violate these regulations are liable to penalties up to a maximum fine of $ 5000 and/or two years' imprisonment.

3 - After receipt of the Apportionment Schedule from the Bureau of the Budget, the agency bureau cannot — however strange it may seem — make or authorize any disbursement before another step has been taken, for the Act of September 2, 1789 prescribes a certain procedure which must be followed before government moneys can be expended. The relevant passages of this Act read as follows:

> *Section 2:* „it shall be the duty of the Secretary of the Treasury to grant under the limitations herein established, all warrants for moneys to be issued from the Treasury, in pursuance to appropriations by law."
>
> *Section 3:* „it shall be the duty of the Comptroller (now the Comptroller General of the United States [6]) to countersign all warrants drawn by the Secretary of the Treasury, which shall be warranted by law."

Those regulations were not repealed by the Budget and Accounting Act, 1921; they can, as will appear later, be repealed or changed under the Budget and Accounting Procedures Act of 1950.

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[6]) After the coming into effect of the Budget and Accounting Act, 1921. Previous to this, a Treasury official bore the title of Comptroller.

STANDARD FORM 131
Prescribed by
Budget-Treasury Regulation 1
Sept. 1950

(Exhibit for annual account)

Sheet 1 of 6 Sheets

APPORTIONMENT SCHEDULE

For Fiscal Year 1951

AGENCY	APPROPRIATION TITLE AND SYMBOL
Department of Government	Salaries and expenses, 5610301
BUREAU	
Office of Secretary	

	DESCRIPTION	SUBMITTED BY AGENCY	FOR USE BY BUREAU OF THE BUDGET
	Amounts Available for Apportionment		
1.	Unobligated balances brought forward July 1	—	
2.	Appropriations:		
	A. Definite	$ 1,550,000	
	B. Indefinite (anticipated)	—	
	C. Appropriations to liquidate contract authorizations (—)	—	
3.	New contract authorizations	—	
4.	Anticipated appropriation reimbursements	244,000	
5.	Anticipated net transfers to (+) and from (—) this account	—	
6.	TOTAL AMOUNT AVAILABLE FOR APPORTIONMENT	1,794,000	
	Apportionments		
7.	First quarter	425,000	
8.	Second quarter	450,000	
9.	Third quarter	425,000	
10.	Fourth quarter	410,000	
11.	TOTAL APPORTIONMENTS	1,710,000	
	Reserves		
12.	Reserves for savings	84,000	
13.	Reserves for obligations to be incurred in subsequent years	—	
14.	Reserves for other contingencies	—	
15.	TOTAL RESERVES	84,000	
16.	TOTAL APPORTIONMENTS AND RESERVES	1,794,000	

U.S. GOVERNMENT PRINTING OFFICE: 1950—O-71568

SUBMITTED R. S. WILLIAMS 9/11/50 APPROVED ....
(Authorized officer) (Date) (Date)

In order to comply with the provisions of the Act of 1789 the fiscal officer sends a request, known as a Requisition Warrant, in sextuplicate to the Treasury (see model form on page 347). This request usually covers disbursements which will have to be made in the following month or two.

The Treasury checks to see whether there is an appropriation and, if so, if a sufficient balance remains to permit the granting of the warrant. If these conditions are fulfilled, the warrant is signed by, or on behalf of, the Secretary of the Treasury and sent to the Comptroller General for his countersignature. When the latter returns the warrant, the Treasury informs the fiscal officer and the disbursing officer concerned that the required credit has been opened. This fiscal officer can now authorize disbursements out of the appropriation. He has to post his credits with the Treasury and the disbursing officer, the incurred obligations and the disbursements etc., in two sets of ledgers, according to the procedure described in the following section.

§ 28 - *Description of a Fiscal Officer's Bookkeeping.*

The bookkeeping system of the Federal Administration is practically the same as that employed by other public bodies. The system herein described therefore applies to the other organs dealt with in Chapter X and following chapters.

Nearly all civilian payments are made by a central disbursement service in the Treasury, headed by the Chief Disbursing Officer; exceptions are the payments for the Department of Defense, the Legislature, the Judiciary and the Post Office.

The fiscal officers, themselves, who have their payments made centrally, can keep a small cash amount on the imprest system.

They keep two ledgers, the General Ledger (G.L.) and the Allotment Ledger (A.L.) both consisting of cards.

Accounting procedures for different agencies differ in certain details, but the principles are similar.

The accounts in the A.L. are maintained for the purpose of controlling allotments for administrative expenses. They are posted currently, totals in summary form being booked once a month in the G.L. To provide a check, these totals are made up from the original documents, not from the A.L. entries.

For the sake of clarity a few examples will be dealt with covering one appropriation. They have been chosen because they are typical.

Case No. 1 — On June 28, 1951, the fiscal officer is notified by his

ORIGINAL: To Treasurer of the United States.

REQUISITION FOR DISBURSING FUNDS AND ACCOUNTABLE WARRANT

Form. No. 427-A
TREASURY DEPARTMENT
Fiscal Service, Bureau of Accounts
Division of Bookkeeping and Warrants
Form prescribed by the Comptroller General, U. S.
August 21, 1946

Warrant No. _____

Requisition No. _____

Requisition Amt. _____

(Department or Establishment) _____ (Bureau or Office)

To the SECRETARY of the TREASURY:

Please cause warrant to be issued in the amount designated, chargeable to the undermentioned appropriations and to the officer or agent named herein, for credit to the official checking account of said officer or agent with the

_____
(Treasurer of the United States or other designated depositary)

(Name)	(Title)	(D. O. Symbol)
(Adress)	(Date of Bond)	(Amount of Bond)

The records of this office indicate that the amount requested, together with the balance on hand, does not exceed the ordinary requirements of the officer named. The last account due from this officer was rendered within the statutory time and there is no existing delinquency under Section 12 of the Act of July 31, 1894 (28 Stat. 209), or acts amendatory theorof.

(Date)	(Date)
(Name)	(Name)
(Title)	(Title)

To the TREASURER of the UNITED STATES:

Place to the credit of the official checking account of the above-named officer or agent, with the Treasurer of the United States or other designated depositary, the amount as approved herein and for so doing this shall be the warrant.

JOHN W. SNYDER Secretary of the Treasury	REQUISITION APPROVED AND WARRANT COUNTERSIGNED LINDSAY C. WARREN Comptroller General of the U. S.	(Amount of Warrant) OFFICE OF TREASURER OF THE UNITED STATES ACTION EFFECTED AS DIRECTED HEREIN
By _____	By _____	(Special Assistant Treasurer)
Date _____	Date _____	Date _____

Appropriation Symbol	Appropriation Title	Amount

department or agency that an Appropriation Warrant No. 202183 [7]) for an amount of $ 2,000,000 has been received for the coming fiscal year 1 July 1951—1 July 1952.

The G.L. is posted as follows:

Treasury Cash Appropriation No. 202183	$ 2,000,000	
To Unapportioned Appropriation No. 202183		$ 2,000,000

The fiscal officer cannot make use of this sum before he has received authorization from the Bureau of the Budget, as we saw in § 27 (2). He therefore sends an Apportionment Schedule (see specimen on page 345) to the Bureau asking for apportionments for the 4 quarters of the year.

Case No. 2 — The fiscal officer receives from the Bureau of the Budget the approval of the following apportionment.

1st quarter	$ 500,000
2nd „	$ 400,000
3rd „	$ 500,000
4th „	$ 400,000
Reserve	$ 200,000

Postings in G.L.

Unapportioned Appropriation No. 202183	$ 2,000,000	
To Unallotted Appropriation No. 202183		$ 1,800,000
To Reserve		$ 200,000

The agency bureau may now allocate $ 500,000 in the first quarter and the head of the bureau must now decide how much shall be allotted for the various purpose for which the appropriation is intended. His decision must, of course, keep within the limits of the relevant Appropriation Act.

Case No. 3 — The head of the bureau allots the $ 500,000 [8]) for the first quarter as follows [9]):

To personal services	$ 300,000
To non-personal services	$ 200,000

Postings in G.L.

Unalotted Appropriation No. 202183	$ 500,000	
To Unobligated Allotment Appropriation No. 202183		$ 500,000

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[7]) The first two figures of the code number indicate the department or agency, the third, the fiscal year (2 for 1952; i.e. the fiscal year 1951/52).

[8]) The head of the bureau may, of course, allot less than the total authorization of $ 500,000, thereby creating a reserve.

[9]) The Appropriation Act gives one total for personal and non-personal (material) expenditure. This is not so in the Netherlands, where the legislature makes a carefull distinction between the two.

The classifications personal and non-personal appear in the A.L. only. The fiscal officer still cannot authorize payments. First of all, as we have seen, a credit has to be opened with the Disbursing Officer and for this purpose a Requisition Warrant (see specimen on page 347) is processed for $ 500,000 or less, and sent to the Treasury (see § 27 (3)).

Case 4 — The fiscal officer is notified once the Requisition Warrant has been approved.

Postings in G.L.

Disbursing Officer's Cash Appropriation	No. 202183	$ 500,000	
To Treasury Cash Appropriation	No. 202183		$ 500,000

Things have now got far enough to enable payments to be made. Each disbursement is a liquidation of a previously incurred obligation which must be posted prior to payment.

Case 5 — The fiscal officer has made out a payroll, amounting to $ 21,500. From this amount $ 500 has to be withheld for income tax and $ 1000 for retirement contributions.

Posting in the G.L.

a - Posting of the obligation:			
Unobligated Allotments Appropriation No. 202183		$ 21,500	
To Unliquidated Obligations Appropriation No. 202183			$ 21,500
b - Posting of the payment by the Disbursing Officer:			
Net disbursements Appropriation No. 202183		$ 21,500	
To Disbursing Officer's Cash Appropriation No. 202183			$ 21,500
c - Returnposting from unliquidated to unobligated:			
Unliquidated Obligations Appropriation No. 202183		$ 21,500	
To Unobligated Allotments Appropriation No. 202183			$ 21,500

This returnposting is made to show whether there was any difference between the payment *(b)* and the obligation (a).

The unobligated account must now be debited with the payment as follows:

d - Unobligated Allotments Appropriation No. 202183		$ 21,500	
To Expended Appropriation No. 202183			$ 21,500

If the payment was less than the obligation, the difference would come free on Unobligated and the posting under (d) would show the increase of the unobligated total.

The Disbursing Officer paid net salaries totalling $ 20,000 in cash or checks. Of the remainder an amount of $ 1000 is credited to an account: Retirement and Disability Fund (Civil Service Commission) and $ 500 to a suspense account: Unapplied Special Deposits Collections, the amounts of which are settled quarterly with the tax administration and other claimants.

The G.L. postings are as follows:

Disbursing Officer's Special Cash	$ 500	
Retirement and Disability Fund	$ 1,000	
To Unapplied Special Deposit Collections		$ 500
To Retirement and Disability Contributions		$ 1,000

In the headings of these particular accounts the appropriation is not mentioned, because these accounts are typical accounts carried for each appropriation administered by a fiscal officer.

Case 6 — The fiscal officer receives a purchase order for the purchase of $ 100 worth of office stationary.

When a section of a bureau wants to make a purchase, a purchase order is made out in the section and sent to the administrative section for authorization. Then the form is passed to the fiscal officer, who checks to see if the necessary funds are available and, if so, posts the obligation.

G.L. posting.

Unobligated Allotments Appropriation No. 202183	$ 100	
To Unliquidated Obligations Appropriation No. 202183		$ 100

When all the foregoing postings are transferred in the General Ledger the accounts and trial balance on pages 352/3 are obtained.

At the end of the month the fiscal officer receives an account current statement from the Disbursing Officer which enables him to check the payments made. He, himself, has to fill up Standard Form 133 „Report on Status of Appropriation Accounts" (see specimen on page 354) in triplicate and forward one copy to the Treasury and two to the Bureau of the Budget, where they are used by the Division of Estimates for the purpose of budget control.

The postings in the Allotment Ledger are as follows:

Case 1 — The fiscal officer opens two control accounts, viz., *Appropriation No. 202183 Control* and *Unallotted Appropriation No. 202183 Control,* both of which are debited with $ 2,000,000.

Case 2 — The apportionment is noted in the *heading* of Appropriation No. 202183 Control. Only the reserve is posted in the ledger as follows:

Reserve Appropriation No. 202183 Control	$ 200,000	
To Unalloted Appropriation No. 202183 Control		$ 200,000

Case 3 — Double entry postings are made as follows:

Personal Services Appropriation No. 202183 Control	$ 300,000	
Non-personal Services Appropriation No. 202183 Control	$ 200,000	
To Unallotted Appropriation No. 202183 Control		$ 500,000

Case 4 — There is no booking in the A.L.

Case 5 — The amount of the payroll is credited as an obligation on the Appropriation Control and Personal Services Control accounts. When payment has been made the entries of obligation in both accounts are reversed (liquidation of the obligation) and afterwards the accounts are credited with the net disbursement.

Case 6 — To post the obligation the Appropriation Control and Non-personal Service Control are both credited with $ 100.

When all the above-mentioned postings have been transferred the accounts in the A.L. appear as follows:

APPROPRIATION No. 202183 CONTROL

Appropriation Warrant .	$ 2,000,000	Payroll	$ 21,500
Payroll (liquidated) .	$ 21,500	Payroll (net disbursement)	$ 21,500
		Purchase order stationary .	$ 100

UNALLOTTED APPROPRIATION No. 202183 CONTROL

Appropriation Warrant	$ 2,000,000	Allotment 1st qu. . . .	$ 500,000
		Reserve	$ 200,000

PERSONAL SERVICES APPROPRIATION No. 202183 CONTROL

Allotment 1st qu. . . .	$ 300,000	Payroll	$ 21,500
Payroll (liquidated) .	$ 21,500	Payroll (net disbursement)	$ 21,500

NON-PERSONAL SERVICES APPROPRIATION No. 202183 CONTROL

Allotment 1st qu. . .	$ 200,000	Purchase order stationary .	$ 100

For the purpose of check a summary is made at the end of each month in the following form (see page 355):

TREASURY CASH		APPROPRIATION 202183	
Appropriation Warrant .	$ 2,000,000	Requisition Warrant . .	$ 500,000

UNAPPORTIONED		APPROPRIATION 202183	
Apportionment	$ 2,000,000	Appropriation Warrant .	$ 2,000,000

UNALLOTTED		APPROPRIATION 202183	
Allotment 1st qu. . . .	$ 500,000	Apportionment	$ 1,800,000

RESERVE		APPROPRIATION 202183	
		Apportionment	$ 200,000

UNOBLIGATED		ALLOTMENTS APPR. 202183	
Payroll	$ 21,500	Apportionment 1st qu. .	$ 500,000
Net disbursements . . .	$ 21,500	Returnposting	$ 21,500
Purchase order	$ 100		

DISBURSING OFFICERS' CASH APPROPRIATION 202183			
Requisition Warrant . .	$ 500,000	Payroll	$ 21,500

UNLIQUIDATED OBLIGATIONS APPROPRIATON 202183			
Returnposting	$ 21,500	Payroll	$ 21,500
		Purchase order	$ 100

NET DISBURSEMENTS		APPROPRIATION 202183	
Payroll	$ 21,500		

EXPENDED EXPENDITURE APPROPRIATION 202183			
		Net disbursements . . .	$ 21.500

DISBURSING OFFICERS' SPECIAL CASH			
Withhold tax	$ 500		

RETIREMENT AND DISABILITY FUND			
Withhold from payroll .	$ 1,000		

UNAPPLIED SPECIAL DEPOSITS COLLECTIONS			
		Withhold tax	$ 500

RETIREMENT AND DISABILITY CONTRIBUTIONS			
		Withhold from payroll .	$ 1,000

TRIAL BALANCE

Accounts	D. $	Cr. $	D. $	Cr. $
Treasury Cash Appropriation 202183	2,000,000,—	500,000,—	1,500,000,—	—
Unapportioned „ 202183	2,000,000,—	2,000,000,—	—	—
Unallotted „ 202183	500,000,—	1,800,000,—	—	1,300,000,—
Reserve „ 202183	—	200,000,—	—	200,000,—
Unobligated Allotments „ 202183	43,100,—	521,500,—	—	478,400,—
Disbursing Officers' Cash „ 202183	500,000,—	21,500,—	478,500,—	—
Unliquidated obligations „ 202183	21,500,—	21,600,—	—	100,—
Net disbursements „ 202183	21,500,—	—	21,500,—	—
Expended Appropriation „ 202183	—	21,500,—	—	21,500,—
Disbursing Officers' Special Cash	500,—	—	500,—	—
Retirement and Disability Fund	1,000,—	—	1,000,—	—
Unapplied Special Deposit Collections	—	500,—	—	500,—
Retirement and Disability Contributions	—	1,000,—	—	1,000,—
	5,087,600,—	5,087,600,—	2,001,500,—	2,001,500,—

STANDARD FORM 133 (Exhibit for annual account)

REPORT ON STATUS APPROPRIATION ACCOUNTS

Sheet 1 of 6 Sheets

For the Period Ended November 30 1950

AGENCY	APPROPRIATION TITLE
Department of Government	Salaries and expenses
BUREAU	
Office of Secretary	

DESCRIPTION	5610301	5600301	5690301
Amounts Available			
1. Unobligated balances brought forward July 1	—	$ 30,000	$ 35,000
2. Appropriations:			
A. Realized	$ 1,550,000	—	—
B. Anticipated for rest of year	—	—	—
C. Appropriations to liquidate contract authorizations (—)	—	—	—
3. New contract authorizations	—	—	—
4. Appropriation reimbursements:			
A. Collected	50,000	25,000	—
B. Increase (+) or decrease (—) since July 1 in reimbursements receivable	35,000	— 25,000	—
C. Anticipated for rest of year	165,000	—	—
5. Net transfers to (+) or from (—) this account:			
A. Actual	—	—	—
B. Anticipated for rest of year	—	—	—
6. TOTAL AMOUNT AVAILABLE	1,800,000	30,000	35,000
Status of Amount Available			
7. Accrued expenditures	—	—	—
8. Undelivered orders outstanding:			
A. At end of period (+)	—	—	—
B. As of July 1 (—)	—	—	—
9. Obligations incurred	730,000	— 2,000	1,000
10. Unobligated balances of apportionments and reserves:			
A. Balance of apportionments to end of quarter	160,000	—	—
B. Apportionments for subsequent quarters	890,000	—	—
C. Reserves	20,000	—	—
11. Other unobligated balances	—	32,000	34,000
12. TOTAL AMOUNT AVAILABLE	1,800,000	30,000	35,000
Relationship of Obligations to Payments			
13. Unpaid obligations:			
A. As of July 1	—	150,000	10,000
B. Obligations transferred to (+) or from (—) this account	—	—	—
C. At end of period	250,000	24,000	3,000
14. Payments (lines 9+13A±13B—13C)	480,000	124,000	8,000

R. S. WILLIAMS (Authorized officer) 12 / 12 / 50 (Date)

MONTHLY RETURN: ALLOTMENT LEDGER

Accounts	Appropriation 1	Obligations 2	Expenditures 3	Unliquidated obligations 4	Unobligated balance 5
	$	$	$	$	$
Personal Services	300,000,—	21,500,—	21,500,—	—	278,510,—
Non- „ „	200,000,—	100,—	—	100,—	199,900,—
Unallotted app.	1,300,000,—	—	—	—	1,300,000,—
Reserve	200,000,—	—	—	—	200,000,—
	2,000,000,—	21,600,—	21,500,—	100,—	1,978,400

Column 3 plus column 4 = column 2. Column 5 = column 1 minus column 2.

§ 29 - *Funds and Fund Bookkeeping* [10])

Funds.

The accepted definition of the term „fund" as used in the United States accounting circles is as follows:

„a sum of money or other resources set aside for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations and constituting an independent fiscal and accounting entity" [11]).

A fund is accordingly a separate resource, moneys from which may only be employed for specific aims. The aims which concern us here and which are the most important and, in fact, often the only ones connected with the funds, consist in the supply of moneys for the execution of the budget. This means that the money required for expenditure under a given appropriation must come from some fund. The fund in its turn is supplied from certain designated sources of income. Thus all revenues are paid into one fund or another, while all expenditure comes out of a fund.

Types of fund — It will be sufficient for our purposes to distinguish between the General Fund, the Special Funds and Trust Funds.

For the European reader the concept of a fund will be clearest in the form of the Trust Fund. An example of one is a pension fund for retired officials. Here it is a case of resources administered by the State in behalf of third parties.

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[10]) The description in this section is of a general character and does not apply to the Federal Government specifically.

[11]) National Committee on Municipal Accounting, *Municipal Accounting Statements*, Chicago, 1941, page 168.

The funds into which budget revenues are paid and out of which budget expenditure is made are the General and the Special Funds. If no special regulation exists, all revenues go into the General Fund and all budget expenditure is financed from this fund. However, certain revenues must be kept apart to be used for specific purposes. This revenue and expenditure is then administered as a separate entity and is known as a special fund with its own name.

It can, of course, happen that an appropriation authorizes an expenditure to be made, for which the relevant fund has insufficient money at its disposal. If this is so in the case of the General Fund, the Executive has the right in general to raise money on short term. This does not follow as a matter of course in the case of a Special Fund; it can, therefore, come about that although an appropriation has sufficient credit to make payments, disbursements cannot be made, since the Special Fund has insufficient money at its disposal.

Should a fund temporarily be short of money, it may borrow from another fund, if regulations permit.

Fund Bookkeeping.

In general, each fund maintains its own separate bookkeeping, though, as the reader grounded in accounting will be aware, the same result can also be obtained by a general system of bookkeeping in which each fund is given a separate set of accounts.

For our purpose we must distinguish between two groups of accounts in a fund's accounting system, viz., the proprietary accounts (property and debt) and the budgetary accounts.

A limited number of accounts are kept in the General Ledger of the fund for appropriation expenditures and budget revenues, while in subsidiary ledgers appropriation and revenue heads are specified as far as necessary for budgetary controls and reports.

The General Ledger's proprietary accounts are also limited as a rule, but they are kept in detail in a subsidiary ledger.

§ 30 - *Cash System and Accrual System of Bookkeeping*

In applying the cash system only the *payments* for supplies and services rendered and the *receipts* of claims are posted. Postings in the General Ledger are as follows:

Appropriation Expenditure		
for purchase of a typewriter	$.....	
To Cash		$.....
Cash		
for tax demand paid	$.....	
To Tax receipts		$.....

In the accrual system the obligation is first posted in the accounts and debited to an appropriation (or a proprietary) account; on payment the debt is liquidated.

Appropriation Expenditure for purchase of a typewriter	$.....	
To Vouchers payable		$.....
Vouchers payable	$.....	
To Cash		$.....

As regards claims and receipts, the accrual system can be read from the following postings:

Taxes receivable taxroll	$.....	
To Tax receipts		$.....
Cash for tax demand paid	$.....	
To Taxes receivable		$.....

Section B - The Treasury

§ 31 - *Introduction*

In discussing the execution of the budget we shall confine ourselves to the financial side of the operations, which are carried out in pursuance of the budget programs. Since the administration generally employs the cash system of bookkeeping, we shall be principally concerned with the sources of money supply which flow into and out of the Federal administration.

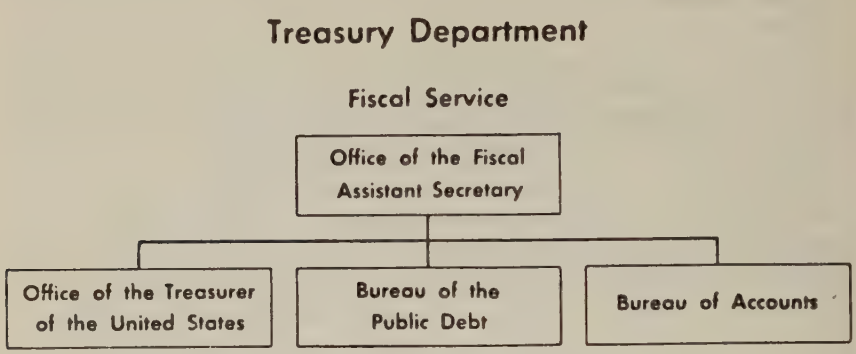
These sources are controlled by the Treasury — the Department of Finance — and the bookkeeping involved forms the Federal Government's main bookkeeping.

The Treasury is, of course, a very large Department in which related operations are grouped together and dealt with in separate bureaus, themselves considerable in size. The operations which concern us are concentrated in an organization known as the *Fiscal Service of the Treasury Department,* which will form the subject of our discussion.

Other Treasury offices besides this one are the Bureau of Internal Revenue, Bureau of Customs, U.S. Coast Guard, Office of the Comptroller of the Currency, Bureau of the Mint and the Bureau of Engraving and Printing.

§ 32 - *The Fiscal Service*

The financial activities of the Treasury are as follows: 1) collection of revenue; 2) disbursement of money; 3) safe-keeping of money: 4) investment of Trust Fund moneys; 5) short-term borrowing (and redemption) of money; 6) longterm borrowing (and redemption) of money; 7) posting of, or check of, all transactions centrally.


Treasury Department
Fiscal Service
Office of the Fiscal Assistant Secretary
Office of the Treasurer of the United States
Bureau of the Public Debt
Bureau of Accounts

The head of the Fiscal Service is the Fiscal Assistant Secretary, a post comparable to that of the General Treasurer (Thesaurier-Generaal) in the Netherlands Ministry of Finance. The Fiscal Assistant Secretary is assisted by a small staff which forms his *Office*. Besides the direction and the control of the activities of the three bureaus, with a view to their efficient operation, his duties comprise the following important functions: a) short-term forecast of the Treasury's cash position twice a week, and long-term forecast covering from 12 to 18 months, once a month. To assist the making of these short-term forecasts the Fiscal Service receives special returns from the various Departments when they have to make large lumpsum payments; b) Management of the Federal cash position. A relatively small portion of government money is held as cash by the various accounting officers; the greater part is deposited with members of the Federal Reserve Banking System. The Federal Reserve Banks, comprising 12 banks and 24 affiliated branches, are the Government's official financial agents. Many receipts — principally taxes and customs duties — are paid into these banks by collectors of taxes and customs duties and by postmasters. The large majority of all checks drawn by the Government to effect disbursements are cashed by these banks after having passed through commercial banking channels.

Besides the Federal Reserve Banks there are also a number of other banks abroad as well as at home, which maintain an account with the Treasurer of the U.S. against which they cash checks, on the Treasurer's behalf.

Should it happen that the Government has appreciable receipts in a town or district where there is no Federal Reserve Bank or branch, another bank there is designated to receive deposits for credit to the Treasurer's account by tax collectors and other Government officers. There are about 625 of such banks. They are called general depositaries. There are also banks which are especially designated to receive taxes withheld at source and proceeds of Government borrowing. Of these banks there are over 11000; they are called special depositaries.

In this connection it should be observed that it is always the Federal Government's policy (1) to deposit whatever moneys it does not need for payments where it is most in demand for active bank transactions and (2) to leave part of it in the place where it originated. To meet (2), a certain maximum, varying according to circumstances, is left as deposits in the banks originally accepting receipts [12]). Since these deposits represent demand money paying no interest, the bank enjoys an indirect renumeration for the services it performs on the Government's behalf. To meet (1) above, money is transferred to places where the demand for bank credit remains unsatisfied.

§ 33 - *The Office of the Treasurer*

On page 344 we quoted Section 2 of the Act of September 2, 1789. Here follows an important provision from Section 4 of the said Act:

„...it shall be the duty of the Treasurer to receive and keep the moneys of the United States, and to disburse the same upon warrants drawn by the Secretary of the Treasury countersigned by the General Accounting Office and not otherwise; he shall take receipts for all moneys paid by him, and all receipts for moneys received by him shall be endorsed upon warrants signed by the Secretary of the Treasury, without which warrant so signed, no acknowledgment for money received into the public Treasury shall be valid."

As a consequence of these provisions, dating from 1789, some unnecessary work has to be done to transfer to the Treasury in a legal manner money which is actually already in the Government's possession. For example, a tax collector wishing to pay in money goes to the prescribed depositary bank and deposits the money there, after having made out a certificate of deposit (C.D.) in triplicate. He receives one of the C.D.'s back releasing him from further responsibility; the bank keeps one copy and sends the third to the Treasury. There a warrant is made out [13]) and sent to the Comptroller General for countersignature.

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12) In practice this means that a part of the deposited tax money can be borrowed from the local bank by the taxpayers themselves.

13) Not, of course, for each individual receipt, but for groups of receipts.

In the bookkeeping this warrant is used as an original document for posting the ledger.

It follows from this that all receipts which have not yet been paid in by the accountable officers do *not* appear in the central bookkeeping. This bookkeeping is a *warrant* bookkeeping *both* for receipts and expenditure.

As regarding the possibility of changing this outdated system see Chapter VIII.

One simplification has already been put into practice whereby all receipts which represent credits to an appropriation account (repayment for disbursements made) are posted by the Treasury direct, without warrant, on the checking accounts of the disbursing officers and other accountable officers.

The Treasurer's Bookkeeping — The Treasurer receives, holds and pays out money. In the exercise of these functions, he has to do with two groups of bodies, (1) those outside the Government, i.e. the banks mentioned in § 32, (2) those inside the Government, i.e. the disbursing and other accountable officers, authorized to make payments. These payments are generally made, as we already know, by check.

For both these groups the Treasurer has to maintain a number of individual accounts, about 1300 for the banks and about 4,500 checking accounts for the second group.

In addition to the *personal* accounts, the Treasurer keeps a set of *impersonal* accounts in which he breaks down the receipts and expenditure according to more or less detailed budget classifications.

A second group of impersonal accounts is formed by those relating to gold, silver, coin and notes.

The foregoing accounts are grouped together in the General Ledger which includes 160 in all.

As practically all Government receipts and payments are effected tthrough banks (the Treasurer holds cash for making payments in ready money), the Treasury transactions are for the most part embodied in the statements received from these banks.

The Federal Banks and the other depository banks have to submit to the Treasury a daily return for every day on which transactions take place. The relevant form (No. 17) is entitled *„Daily Transcript of Accounts with United States depositaries"* (see specimen on page 362).

Before discussing this form, we must draw attention to two sorts of checks accounting officers can write out. All are drawn on the Treasury but on some it is stated that the checks can only be

encashed by a specific Federal Reserve Bank, the rest are only payable by the Treasury itself in Washington, D.C.

This difference between the two sorts of checks is especially noticeable in the way they are dealt with administratively. In the case of the former, the Federal Reserve Bank concerned acts as an agent of the Treasury, working as a division of the Office of the Treasurer. This bank is equipped with government office machines to deal with these checks, which machines produce the following particulars:

1 - total amounts, which are split according to disbursing officer and then subdivided according to the departments, or sections of departments, on behalf of which the payments have been made. These particulars are sent to the Treasury.

2 - statements for each disbursing officer, giving the checks in numerical sequence together with the amounts. These lists accompanied with cashed checks are despatched direct to the *General Accounting Office* to be checked there against the Treasurer's lists. A copy of each statement is sent to the disbursing officer and a copy is retained by the bank which prepared the statement.

The checks payable in Washington only are sent to the Treasury, and are dealt with there as described in the following.

The Daily Transcript.

Line 2 - The total receipts are recorded on this line and specified in the „Abstract of Receipts", a certificate of deposit (see § 33) or credit voucher being required for each item listed. In so far as the receipts represent credits of appropriations, the checking accounts of the disbursing officers concerned are credited. The other certificates of deposit go to the Bureau of Accounts (see § 35) for the making out of warrants. The amounts of the certificates of deposit covering sale of government securities are reported to the Bureau of the Public Debt for information (see § 34).

Line 5 - This total is that mentioned under 1) above.

The disbursing officer's checking accounts are debited on the basis of the specifications pertaining to this total.

Line 6 - The total amount of the checks payable in Washington only is entered here, the checks themselves being listed individually on the „Abstract of Charges" which is despatched with the transcript. After the checks have been dealt with administratively, the disbursing officer's accounts are debited; the disbursing officers receive statements of paid checks, while another copy of the statement, accompanied by the checks themselves, is despatched to the General Accounting Office for verification.

Line 8 - The total amount of miscellaneous charges must be supported by a voucher for each item, which must be entered at

(Do not use space above)

This transcript with all supporting documents must be mailed on the day for which it is rendered to the Treasurer of the United States, Accounting Division, Washington 25, D. C.

DAILY TRANSCRIPT OF ACCOUNT WITH UNITED STATES DEPOSITARY

A. B. A. No. .....

..... (Date)

The Treasurer of the United States:

THIS BANK WILL BE CLOSED ON ..... (HOLIDAY)
(To be filled in on the transcript for the business day immediately preceding a holiday)

The following is a transcript of the general account of the ***Treasurer of the United States*** *with* ....., ..., (Name of depositary) (Location)

a United States depositary, for this date.

..... (Signature should be in ink) *Authorized Signature.*

SUMMARY					
1. Balance from last transcript	$				
2. Total receipts					
3. Corrections of previous transcrips ..... (Explain entry, do NOT issue certificate)					
4. TOTAL (*Lines 1, 2 and 3*)	$				
5. Treasurer's checks paid by this bank $ ..... (This line for use of Federal Reserve Banks only)					
6. Checks forwarded to Treasurer for payment $					
7. (*Discontinued*)					
8. Miscellaneous charges (*Debit vouchers, etc.*) $					
9. TOTAL CHARGES (*Lines 5, 6, and 8*)	$				
10. Corrections of previous transcripts ..... (Explain entry, do NOT send charge ticket)					
11. Balance to credit of Treasurer at close of day (*Line 4, minus lines 9 and 10*)	$				

ABSTRACT OF RECEIPTS

(Each entry in this abstract must be supported by a certificate of deposit or credit voucher, and such certificates and vouchers must be dated and signed by the depositary at the time the funds are accepted and credited in the Treasurer's account)

C. D. No.	Name and Title of Depositor	On What Account Deposited	Amount			
		Total to Line 2 (or forwarded to continuation sheet).....				

ABSTRACT OF CHARGES

(Each entry must be supported by a debit voucher or a properly endorsed check drawn on the Treasurer and payable in Washington, D. C.)

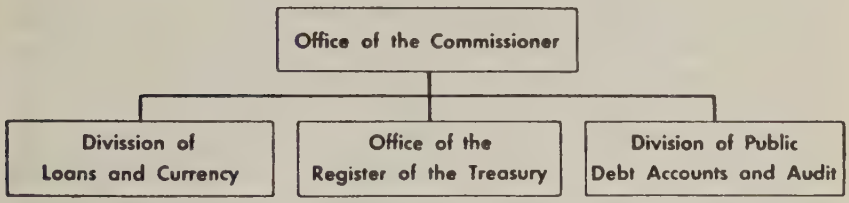
Miscellaneous Charges	Amount	Check No.	Symbol No.	Amount
DEBIT VOUCHERS, Form 5504 (*List individually in amount column*).....				
Funds transferred to Federal Bank or Branch Bank at				
Total to Line 8 (or forwarded to continuation sheet, Form 17-M.....		Total to Line 6 (or forwarded to continuation sheet)...		

the foot (lefthand side) of the Transcript, or on a separate sheet. These debits chiefly concern redeemed securities and coupons, and transfers. The vouchers provide sufficient information for the Treasurer's bookkeeping. The securities and coupons themselves are despatched by the banks direct to the Bureau of the Public Debt (see § 34).

§ 34 - *The Bureau of the Public Debt*

This Bureau is charged with the general supervision of all public debt transactions. At its head is a commissioner whose immediate staff works in an office known as the *Office of the Commissioner.* The organization of the Bureau of the Public Debt is shown in the following diagram:

Bureau of the Public Debt


Office of the Commissioner
Division of Loans and Currency
Office of the Register of the Treasury
Division of Public Debt Accounts and Audit

Before describing the duties and functions of the Bureau, we will first give a brief account of the various forms of public debt.

These can be distinguished as follows:

1 - Division according to holders.
  a - „public issues" sold to the investing public;
  b - „special issues" sold direct to trust funds, etc. under special provisions of law.

2 - *Division according to transferability.*
  (Applicable only to securities under 1 a above.)
  a - Transferable (marketable) securities;
  b - Non-transferable (non-marketable) securities.

3 - *Division according to facility of transfer.*
  (Applicable to transferable securities only).
  a - bearer, or coupon, form;
  b - registered form.

4 - *Division according to period of time elapsing between issue and maturity.*
  a - Treasury bills (not exceeding 12 months, usually about 90 days);
  b - Certificates of indebtedness (not exceeding 12 months);
  c - Notes (1 to 5 years);
  d - Bonds (usually exceeding 5 years, but may be issued for any period).
  The issue of bonds and notes requires Presidential approval; the other issues can be ordered by the Secretary of the Treasury.

5 - *Division according to period of which interest is paid.*
a - periodic payment; customary for notes and bonds;
b - payment on redemption, e.g. for treasury bills, certificates of indebtedness and savings bonds, except Series G savings bonds on which interest is paid semi-annually by check.

Differences between bearer and registered securities.

As the difference between bearer and registered securities are not the same in the U.S. as in the Netherlands, for example, it is desirable to mention them here.

In the U.S. bearer securities are regarded as money and if they are lost or stolen, the government normally gives no compensation. The holder can receive only new papers if destruction can be proven, e.g. in the case of the destruction of a plane carrying securities. In the Netherlands, however, if the owner knows the numbers and series of the lost securities, he may obtain new securities in their place, after a certain procedure, of which an important part is publication in the daily papers, has been complied with. In this case the lost securities are declared to be null and void.

In the Netherlands it is hardly likely that the holder of registered securities could get into difficulties concerning them. The legal proof of his ownership is the entry in the official register; any paper he may hold regarding this entry is of subsidiary value only and is insufficient for transfer or redemption of the security. A transfer is only valid once the State has accepted it and payment or redemption only takes place to the actual owner after he has duly identified himself to the Treasury.

In the U. S. the holder of a registered security receives a document which embodies the indebtedness of the government and which is *transferable unless the contrary is stated.* As a consequence, the owner of a security, which is lost, stolen, or destroyed, submits a claim to the Treasury for the issue of a duplicate. A duplicate is only issued after an investigation has been made by the Bureau of the Public Debt, which investigation is usually a long and careful business.

It can happen that a claim for compensation or for the issue of a duplicate is also made in the case of *non-transferable* securities. For instance, in the case of a veteran [14]) whose security is stolen together with his identity papers, the thief having secured redemption from a bank. If the subsequent investigation proves that the real owner was not in default, a new security can be issued or compensation given. The State, or the bank (if negligent in obtaining identification of presenter), incurs the loss.

In general indemnity bonds are requested if duplicate securities are issued.

[14]) Veterans actually received securities as a bonus for war service.

Duties and Functions of the Bureau

Although the Bureau is also concerned with the verifying of U.S. currency retired from circulation, this function will not be dealt with here. We shall limit our discussion to the functions connected with the National Debt.

Office of the Commissioner — This Office forms the secretariat of the Bureau in which the Commissioner maintains an administrative staff to supervise the activities of the Bureau and to frame general regulations and instructions for the „fiscal agents", the banks, who sell or redeem public debt securities.

The operating functions of the Bureau are perfomed by the three divisions shown in the diagram on page 363.

Division of Loans and Currency — This Division issues the securities it receives from the official Bureau of Engraving and Printing. It despatches stocks to the „fiscal agents" who handle them, and supervises their activities. It also holds reserve stocks of securities.

The division maintains the individual accounts of the owners of registered securities and makes out and issues the checks in payment of interest on these. The amounts of these checks are used for making out the appropriation warrants for payable interest, which in turn are used by the Bureau of Accounts to debit the relevant appropriation account.

Further, all claims regarding lost, stolen, destroyed, mutilated or defaced securities are dealt with in this division (see preceding page).

Office of Register of the Treasury — In this division all redeemed and retired securities and all paid interest coupons are audited.

a - *Check of securities* — The division keeps numerical registers for every type of security. When retired securities are returned, they are noted in the appropriate register.

b - *Check of paid interest coupons* — Before 1942 the paid interest coupons were also posted in the numerical registers. Space was left on each line in the registers sufficient to enter all possible coupon payments.

When, during World War II, the public debt greatly increased and the number of paid interest coupons consequently became very large (now 20 to 25 million a year), the system was changed and the entry in the numerical registers suspended.

The system, nowadays followed, no longer distinguishes the interest coupons by loan, but only by the due date and by denomination according to amount, e.g. coupons of $ 0,72; $ 0,80; $ 1,00; .. ...; $ 2,50; .....; $ 10,00; .....; etc.

In the Division of Public Debt Accounts and Audit a record of outstanding securities is kept divided according to coupon denomination. For each due date the amount of interest of each denomination of coupon (for all loans together) is computed.

Accounts in the books are opened for each of these amounts, so that there are as many accounts as there are denominations. An appropriation warrant is then drawn for the grand total, including the computed amounts of earned interest in those cases where interest is paid together with the principal on redemption.

Before sending in the paid interest coupons to the Treasurer, the banks first sorts them into two main groups; current and uncurrent. The former group comprises the coupons for which the due date lies in the more recent past. They form about 80 % of all coupons handed in, the remainder being the uncurrent. The bank has to sort the current coupons according to denomination and the uncurrent to due date.

In the Office of the Register the coupons are checked for validity, etc. The necessary totals for the accounts, mentioned above, are computed with the aid of punchcard machines.

It is clear that this system of control does not bring to light, as did the system followed before 1942, whether payment for a certain coupon has occurred twice, unless the number of such coupons is very large.

We, for ourselves, favor this new system, the former being too expensive.

Division of Public Debt Accounts and Audit — The handling of securities, of interest checks and interest coupons is performed by the other divisions of the Bureau as described above. The Division of Accounts and Audit is the Bureau's internal auditor. It maintains a large number of control accounts which cover all the transactions relating to the issue and retirement of public debt securities.

The accounting control procedures are supplemented by such physical audits as are necessary to effectuate that control, including stocktaking of the securities held in the various units of the Bureau of the Public Debt.

The audits described above also serve the purpose of the General Accounting Office in determining the Treasurer's accounts as regards public debt, for the Comptroller General uses the internal audit of the Bureau of the Public Debt as a substitute for his own external audit.

This last-mentioned procedure seems unusual. In the Netherlands, the law provides that government securities issued must be counter-

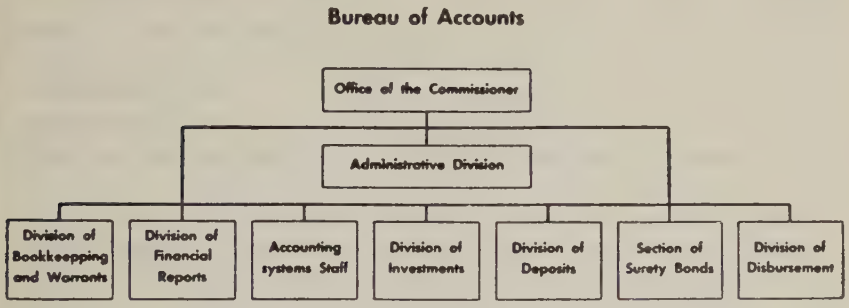
signed by the Auditor General, and that retired securities and paid interest coupons must be sent to his office for inspection and destruction.

In support of the American system it was emphasized that there was no legal provision which involved the Comptroller General in the matter of the public debt and that he therefore relied on the internal audit of the Treasury without more ado.

In connection with the modifications of control based on the Procedures Act of 1950, it is however the Comptroller's intention to introduce external audit of public debt transactions although this will in the nature of things rest largely upon the internal audit of the Treasury itself.

§ 35 - *The Bureau of Accounts*

The organization of this Bureau is shown in the following diagram:



The head of the Bureau, the Commissioner, is responsible for the general direction and supervision of the Bureau's activities and he has a small staff at his disposal for this purpose, comprising his *Office*.

The Administrative Division sees to the internal affairs of the Bureau, such as budgeting, internal administrative accounting, housekeeping services, etc.

The executive work is performed in seven divisions, the functions of the three shown on the lefthand side of the diagram corresponding entirely with the Bureau's title „Bureau of Accounts", while the four other divisions on the righthand side could just as easily form part of any other section of the Fiscal Service, from the point of view of organization. Of these four, only the Division of Disbursements will be dealt with in any detail here, treatment of the others being very summary.

The Division of Deposits — The main task of this Division is to supervise the system of depositary banks which means that it must

make recommendations for the designation of such banks, investigating where they are needed. Further it must supervise the collateral requirements in order to secure the deposits.

The Division of Investments is responsible for the investment of trust funds [15]) an important group being the Retirement and Disability Funds, and further of money belonging to government institutions. The Division also represents the Treasury in cases in which Government Corporations, which are authorized to do so, request loans from the Treasury. It also handles the financial transactions with the liquidation of the lend-lease agreements.

Section of Surety Bonds — Government officials responsible for government moneys are generally required to provide fidelity bonds up to an agreed amount. Privately-owned Surety Companies will bond an employee on payment of a premium. Only companies having a certificate of authority of the Secretary of the Treasury are recognized for this purpose. All the work connected with the issue of these certificates, examination of the financial statements of the companies concerned, etc., is performed by the Section of Surety Bonds.

The Division of Disbursements — The head of this Division is the Chief Disbursing Officer who, together with the staff of the Office, directs and supervises the work of the 27 regional offices, the largest of these being located in Washington, D.C.

The Division is the general paymaster for all government departments except the armed services, the Post Office Department and the U.S. Marshals [16]). Although it handles receipts for a number of agencies, its primary function is the making of disbursements which generally is accomplished by means of checks, their number amounting to more than 200 million a year.

Owing to the centralization of work, machines can be used on a large scale so that the drawing and dispatch of checks resembles a mechanized factory process. There is a high degree of division of labor, each employee being concerned with a single process, or a small number of processes, thus one gets an „assembly-line" working at the fastest possible speed. Since mechanization simplifies the work to be done, lowpaid labor can be employed.

The routine is broadly as follows:

The fiscal officers send in their *Schedules of Disbursement* with the necessary vouchers and supporting documents. It is the responsibility of the fiscal officers to see that the amount and the name and address of the payee are correct and that the appropriation to be

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[15]) These investments are usually confined to government securities.
[16]) Concerned with the expenditure of the law courts.

debited is correctly stated, no verification being made on these items in the Division of Disbursement.

The first verification this Division makes is to see whether the certifying officer is the person who is entitled to give the order for payment and whether his signature conforms with that in the files. Secondly it is ascertained whether the appropriation balance is sufficient. For this purpose a memorandum record card [17]) is kept for each appropriation stating the amount still available. If the credit is not sufficient, the request for payment is sent back, or laid aside, if a Requisition Warrant is known to be pending. If the credit is sufficient, the amount is posted as a debit on the card. The vouchers are now sent, sorted as per department and in workable lots (not more than 200 payments) to the section concerned with issuing the checks, using punchcard machines. When the checks have been prepared, a microfilm record is made after which they are dispatched to the payees.

A special method is adopted for periodic payments of constant amount (salaries, retirement and old-age pensions, etc.). An address plate showing name, address and amount is used for each payee and with the help of a special machine the checks can be prepared almost automatically.

For every appropriation on each Schedule of Disbursements a punchcard is made. The cards are listed, with sub-totals for each appropriation as per symbol. Each list refers to a separate department (see above with regard to workable lots). These lists are used for a) the daily teletype data for the Treasury (see page 372) and b) as a basis for posting the detailed ledger sheets on which a separate account is kept for each appropriation. (The disbursing officer's receipts are dealt with in the same way).

A General Ledger is kept in which a separate account is maintained for each department. Postings are made on the basis of the above-mentioned lists.

A monthly account-current is sent to each department, showing the totals of the payments and receipts as per appropriation, and supported by lists showing complete breakdown of all items. With the help of these particulars the fiscal officers can check their own ledgers and clear any discrepancies.

A summary account current is also sent monthly to the General Accounting Office for its check.

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[17]) The card is credited with the amounts of the Requisition Warrants (see page 347) and debited with the payments to be made.

The Accounting Functions of the Bureau of Accounts

The accounting functions of the Bureau of Accounts are as follows:

a - the maintenance of a central system of bookkeeping;
b - the supervision of the bookkeeping of other Treasury bureaus;
c - the investigation of improved methods of accounting and the making of recommendations to this effect;
d - the compilation of financial reports and publications.

These tasks are performed by the three divisions shown on the lefthand side of the diagram on page 367.

The main functions of the Division of Bookkeeping and Warrants are:

1 - The issuance of appropriation warrants as described in § 27;
2 - The issuance of warrants confirming receipts of money by the Treasury;
3 - The preparation of warrants authorizing the Treasurer to make appropriation credits available for disbursement (Requisition and Accountable Warrants, see § 27);
4 - The issuance of vouchers for required adjustments; and
5 - The maintenance of accounts for revenues, and appropriations on the basis of these warrants, and other expenditure data.

The above-mentioned duties are performed by three units of the Division as follows: the Appropriation Analysis Section for (1) and (3) above; and the Receipts Section for (2). Adjustment vouchers (4) are issued by the respective Section to correct its postings; revenue accounts (5) are maintained by the Receipts Section, and appropriation accounts (5) are maintained by the Accounting Section.

The Appropriation Analysis Section draws up the warrants under (1) and (3) above (see also § 27) and secures their signature by, or on behalf of, the Secretary of the Treasury. The warrants are then routed to the General Accounting Office for countersignature by, or on behalf of the Comptroller General of the United States. It provides certified copies of these warrants to the department or agency concerned, and another copy to the Accounting Section for posting. This Section also prepares surplus warrants for write-off in cases where appropriation balances are rescinded or are required to be written off the books pursuant to law [18]).

[18]) As an example, we might take a one-year appropriation (see § 21). Such an appropriation is available for obligation for one fiscal year only. However, it remains available or payment of these obligations or two additional fiscal years. After expiration of the third fiscal year these appropriations lapse and no more payments may be made out of such appropriations. The unexpended balance of such appropriations must be transferred to a consolidated appropriation account known as „Payment of Certified Claims", and such funds remain available until expended for the payment of claims, within the limits of and chargeable to the respective balances of any lapsed appropriations, which may be certified by the Comptroller General of the United States to be lawfully due.

Subsidiary, but nonetheless important, functions of the Section are preparation of the list of appropriation symbols (the code numbers given to each appropriation — see § 28) and of the Digest of Appropriations to be mentioned more fully in § 36.

The Receipts Section receives from the Treasurer's Office the certificates of deposit (C.D.'s) mentioned in § 32, which consist largely of tax revenue. Since November 1, 1950, all receipts representing repayment of appropriation money are now credited directly to the disbursing officers' checking accounts; these certificates of deposit do not, therefore, go to the Receipts Section but to the disbursing officers [19]).

Certificates of deposit received by the Receipts Section from the Treasurer's Office are accompanied by detailed lists. These certificates are sorted by Government departments, balanced to the detailed listings, and posted to the Register of Deposits. In this register the daily totals of the certificates of deposit are detailed in three columns, General Accounts, Special Accounts, and Trust Accounts [20]). The register is maintained for the purpose of control, the monthly totals of the receipts ledgers being balanced to the control.

The certificates of deposit sorted by department are posted in the receipts ledgers. This is performed by means of machines by which, using copies, four results are arrived at in one operation, as follows:

the relevant page of the receipts ledger (i.e. the classified receipt account);

a list including the amounts of each depositor separately;

a list including all amounts for each department separately;

the receipt warrant mentioned in (2) above (page 370).

A copy of the depositor's listing is sent every month to the General Accounting Office, while copies of the departmental deposit lists are sent to the departments and agencies concerned. The signatures on behalf of the Secretary of the Treasury and the Comptroller General are obtained for the warrants. The totals of the warrants for a particular clearance must agree with the related totals of the lists received from the Treasurer's Office. The totals of the warrants are posted to a number of collection accounts in the general ledger in the Accounting Section. The Accounting Section receives a trial balance statement once a month compiled from entries to the receipts ledger.

The Accounting Section keeps detailed accounts of the appropriations and the public debt, detailed accounts of receipts being kept in

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[19]) The Accounting Section does not need to credit these amounts to the appropriation accounts, since these are debited with the Requisition and Accountable Warrants and not with the actual check payments.

[20]) Corresponding with the division into General Fund, Special Fund and Trust Fund.

the Receipts Section. The Accounting Section maintains a general ledger which includes a summary recapitulation of the detailed accounts in groups.

The documents for opening an appropriation account are the appropriation warrants, which are prepared in the Appropriation Analysis Section. The Requisition and Accountable Warrants are dealt with in the Accounting Section after having been made out by the department or agency concerned. A fiscal officer's request for a requisition is first sent to this Section for examination, where it is ascertained whether the appropriation concerned has sufficient credit [21]); a separate ledger account is kept for each appropriation. If there is not sufficient credit, the request is refused; if there is, a warrant is made out as already described, the original form going to the Treasurer's Office for action and one copy serving to support the debit posting to the appropriation; further, the fiscal officer and agency concerned are informed.

Transfer and counter warrants are also made out in the Section for transfer postings between certain appropriations, and adjustment vouchers are processed for adjustment of errors.

Requisitions for interest paid on the public debt are received from the Bureau of the Public Debt. The Treasurer's Office sends in the necessary posting documents for issue and redemption of Government securities. The Accounting Section initiates appropriation warrants to establish to the credit of loan accounts the amount of the net redemptions (difference between receipts and expenditures). Warrants for receipts are received by the Accounting Section from the Receipts Section.

It will be clear from the foregoing description that in the central bookkeeping system the balance of an appropriation account is the net amount allowed by the legislature minus the amounts of the requisitions from which the disbursing officers make their payments. *It follows from this that neither the actual expenditure nor the obligations are reflected in the appropriation ledger accounts in the central bookkeeping.*

In order to obtain particulars bearing a closer relation to the actual situation, a teletype list of all the amounts of checks drawn is supplied by the disbursing officers. These amounts are not entered in the ledgers but are used to compile the Daily Treasury Statement so as to keep this publication more up-to-date.

From our description of the central bookkeeping system maintained by the Accounting Section and of the bookkeeping of the

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[21]) The Section does not have to ascertain whether the apportionment (see § 27) is sufficient.

fiscal officers, it certainly appears that the direct connection between the two systems is only a very loose one, that is, by means of the appropriation and requisition warrants. The two administrations are related, it is true, with that of the disbursing officer, though the fiscal officer posts the vouchers sent to the disbursing officer for payment, while the Accounting Section posts the requisition warrants as payments. In his monthly report „Report on Status of Appropriation Accounts" (see page 354) the fiscal officer does certainly include the obligations for which no order to pay has yet been issued, but these obligations are not taken over into the main bookkeeping system. In view of this loose connection, it is understandable that the fiscal officer's bookkeeping is not checked [22]) by the General Accounting Office.

The Financial Reports Division prepares statements and tables necessary for the monthly Treasury Bulletin and the Secretary of the Treasury's Annual Report on the state of Finances. Every month the Division deals with the Reports on Status of Appropriation Accounts (see page 354) which amount to roughly 3000 in all. The figures for these reports are summarized but not published at once.

The Accounting Systems Staff. The main tasks of this Staff can be divided into two groups:

1 - those connected with the accounting system of the Federal Government as a whole; and

2 - those concerned with the Treasury Accounting System.

Pursuant to the Budget and Accounting Procedures Act of 1950 the work performed under (1) is carried out in co-operation with the Bureau of the Budget and the General Accounting Office, and will therefore be discussed later in Chapter VIII. The work under (2) comprises investigation of and recommendations for improvements in all the sections of the Treasury including proposals for the integration of the bookkeeping.

Further, the Staff supervises the activities concerning the bookkeeping of the entire Treasury Department, with a view to efficient working.

§ 36 - *Publications and Reports of the Fiscal Service*

Section 9, Article I of the Constitution reads:

„.....and a regular statement and accounts of the receipts and expenditures of all public money shall be published from time to time."

Moreover Section 15 of the Act of July 31, 1894 (Dockery Act) says:

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[22]) For exceptions see Chapter VIII.

„It shall be the duty of the Secretary of the Treasury annually to lay before Congress on the first day of the regular session thereof an accurate combined statement of the receipts and expenditures during the last preceding fiscal year of all public moneys, including those of the Post Office Department, designating the amount of the receipts wherever practically by ports, districts and states and the expenditures by each separate head of appropriation."

I - In pursuance of these requirements each year the Secretary of the Treasury submits to Congress the:

Combined Statements of Receipts, Expenditures and Balances of the United States Government for the fiscal year ended 30 June.....

In this report the figures for all transactions under each active appropriation are given for the fiscal year named in the title [23]).

These figures are obtained from the Bureau of Accounts with the exception of those of the „unexpended balances" which are supplied by the disbursing officers. With the aid of these amounts it is possible to give in the report expenditure on the basis of drawn checks [24]).

The receipts shown in this report are classified in several ways.

II - A more general yearbook (annual report) of Federal Finances is the *Annual Report of the Secretary of the Treasury on the State of the Finances for the fiscal year ended 30 June.....*

This report is also published in accordance with the law and it contains a great deal of text. Tables for its compilation are provided by the Financial Reports Division (see page 373).

III - *The Annual Digest of Appropriations* gives the titles and symbols of the appropriations granted by Congress for each fiscal year. It also shows the Act authorizing the appropriations and the official description. The Digest contains further a summary of all the appropriation acts of the previous ten years and a list of laws authorizing [25]) the Executive to enter into contracts, a list of expired

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[23]) Payments may be made out of a one-year appropriation during the relevant fiscal year itself and the two following fiscal years, though the obligations must be incurred during the relevant fiscal year.

[24]) The appropriations are debited in the Bureau of Accounts with the amounts of the Requisition Warrants. The disbursing officer credits the agency with this amount and debits its account with the checks issued; the balance is knows as the „unexpended balance". If the Bureau of Accounts subtracts the unexpended balance from the amount of the requisitions, it obtains the amount of the checks issued. This amount appears in the Combined Statement as expenditure. Thus this is *not* a figure for *actual* payments from the Treasury's cash. However, it should be borne in mind that in the U.S.A. the despatch of a check is regarded as equivalent to payment.

[25]) If legislative provisions are followed strictly, each appropriation must be authorized by an Act. If an appropriation bill is introduced in Congress and a member justly declares that no law exists on which authorization could be based, the bill cannot be handled.

acts and appropriations, a rescission table and all the symbols and titles of revenue accounts. The volume is used widely in all departments of the Federal Government. It is prepared annually by the Appropriation Analysis Section (see page 370) and is closed when Congress completes action on all appropriations for the session. This publication has much in common with that mentioned at the end of § 24.

IV - *The Treasury Bulletin* is a monthly publication concerning the Federal Government Finances. Financial tables are prepared by the Financial Reports Division.

V - *The Daily Statement of the Treasury* is a product of co-operation between various sections of the Fiscal Service. The figures it contains provide current information on Government receipts and expenditure and the condition of the Treasury for use of the Administration, the Congress and the general public.

§ 37 - *End of the Third Phase of the Budget Cycle*

The publication of the reports mentioned under I and II in the preceding section can be regarded as marking the closure of the third phase in the budget cycle i.e. the execution of the budget.

(to be continued)

AUTHOR'S NOTE

This article is the second of a series resulting from a period of study in the U.S.A. which was made possible for me by the Rockefeller Foundation to whom I am deeply indebted.

The subjects dealt with in the first two articles of this series were studied in company with two leading officials of the Netherlands Ministry of Finance, Messrs. A. van Dongen and D. A. P. W. van der Ende.

The articles in question have benefited greatly from their co-operation.

O. Bakker,
Member of the General Accounting Court
of the Netherlands.

A CONCEPT OF OPTIMUM BUDGET

BY BALJIT SINGH
Lucknow (India)

Nature of Public Finance

Public finance is catalyzing but catalysis results in cataclysm when it is misused or applied at the wrong end since its activating property exists only in relation to production. In seeking to redistribute private incomes through public budget or fiscal policy, therefore, there is a primary misuse of a lever which has to deal only with individual's (a) opportunity to work, (b) capacity to work, and (c) desire to work. Any activation effect must, therefore, proceed from these bases represented by employment, efficiency and incentives.

This is certainly as much opposed to the pure theory of public finance as to the "socio-political" concept of Wagner, Edgeworth and Pigou. As treated by Seligman the former "cannot demand that the state should do away with the inequality of wealth". The latter on the other hand insists on transfers from the rich to the poor through financial measures with the object of maximising social welfare or utilities in aggregate — a concept, derived from the assumption of equality of average human behaviour and the marginal doctrine. No longer is the latter believed to contain any axiomatic truth [1]). New Economics on the other hand, as expounded by Keynes and Hansen, lays its emphasis on compensatory action through fiscal policy to stabilize or regulate consumption i.e. demand. Its basic assumption is that, although private enterprise can produce, it invariably fails in sustaining demand and thus in a free market economy there is always an unbalancing gap which has to be filled in by the financial activity of the state. This is a grave assumption which is not supported on the production side by the experience of the underdeveloped countries. It is equally doubtful if demand invariably exceeds or lags behind supply. In any case it cannot be supported on *a priori* grounds. George

[1]) Robbins points out that it "begs the great metaphysical question of the scientific comparability of different individual experiences". (Nature and Significance of Economic Science, 1945 ed. p. 137).

Terborgh has refuted this assumption by empirical evidence with regard to one of the most advanced economies and has described it as a "stagnation thesis" [2]). He finds that the problem is one of increasing investments and saving rather than that of consumption and standard of living.

Activating Finance V. Functional Finance.

Nevertheless, this doctrine has been carried by Lerner, as he states to its logical end in the tenets of " Functional Finance", the principle of judging fiscal measures by the way they work or function in economy [3]). His analysis is primarily Keynesian and the approach is from the spending end. New Economics begins from the wrong end and does not look straight into the problem of production and employment largely because it was born in a period of severe depression and was nurtured in relatively advanced economies. At best it is a hypothesis of the slump and of the industrialised countries. As such it cannot give any laws for it lacks universal truth.

National output or income is an increasing function of investment and saving at all times and in all countries. Spending or standard of living is only an end product of economic activity. A correct approach to the problem therefore begins from the production end. In several countries private enterprise has failed to produce and the resultant poverty and extreme indigence, which so often give the impression of a very faulty distribution are not likely to be relieved in any way, if their national incomes are redistributed equally among all even with mathematical accuracy. There is poverty because there is a small "heap for distribution" and if this is large enough for all there will be plenty. To enlarge the heap or dividend, resource allocation has to be at optimal ratio, the gulf between potential and employable resources as well as between the latter and the employed

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2) See George Terborgh: "The Bogey of Economic Maturity" (Chicago, 1945).

3 Abba P. Lerner explains this as follows: "In brief, Functional Finance rejects completely the traditional doctrines of "sound finance" and the principle of trying to balance the budget over a solar year or any other period. In their place it prescribes: first, the adjustment of total spending (by everybody in the economy, including government) in order to eliminate both unemployment and inflation, using government spending when total spending is too low and taxation when total spending is too high; second, the adjustment of public holdings of money and of government bonds by government borrowing or debt repayment, in order to achieve the rate of interest which results in the most desirable level of investment; and third, the printing, hoarding or destruction of money as needed for carrying out the first two parts of the programme" (Social Research, Vol. 10, 1943 p. 41).

For a criticism see "Guideposts to a Free Economy" by H. L. Lutz (McGraw-Hill Book Co. 1945).

resources has to be reduced to a minimum. This gulf exists not because people spend more or less, that is only an illusion caused by inadequacy of investment.

Public Expenditure

Activating Finance requires the state to call forth such financial adjustments that facilitate a flow of investment needed to bring about an optimal resource allocation. Since nothing can be invested that is already consumed such adjustments are possible only on the basis of balanced budgets. Variations in the rate of interest and money supply either through a monetary policy or public debt policy do not always influence materially private business decisions with regard to either establishment of new plants or a more intensive use of the existing ones. The state, therefore, to facilitate private investment and capital construction and also to provide for its shortcomings, inadequacy and instability should take a direct part in the supply of those complementary goods and services without which total investment fails to reach the required level.

Firstly, there can be no investment or opportunity to work, not to speak of the level of efficiency, unless there is peace and security. All governments therefore are required to provide for protective services including defence, police and jails. To add to and increase the capacity to work, investment is needed directly in human resources that "man the works" and this investment is not directly remunerative and for that reason not suitable for private enterprise. Social service expenditure i.e. for education, public health, medical aid and welfare is largely of this nature. This has to be expanded in various directions so long as the increase, taking all periods into consideration, in national income caused by it exceeds its own amount. Efficiency or productivity is also a function of the material aids with which a labourer works, and without which in fact many opportunities of employment remain unexplored. These are grouped together as the capital goods.

An inadequacy of these goods both public and private is the main limiting factor in employment as well as efficiency. The most important of these goods are basic for all development and hence if their production is carried under conditions which tend to restrict their supplies or increase costs or make them available only to a few vested interests employment cannot increase all-round and production will remain limited. Another type of these goods requires for supply a very large amount of investment and involves undue risk and exceptionally long period of waiting before returns begin to emerge. In both these types of cases private enterprise has failed to produce. And further,

wherever these goods have not been available it has failed to produce in other directions too. Direct state investment is therefore required for the supply of these capital goods including roads, railways, ports and harbours, irrigation water, electricity, and in the low income countries even iron and steel, machines and vehicles etc. Sometimes public investment might be useful even for the production of private consumption goods where ordinarily efficiency rests with private enterprise, if capital is shy and is not prepared to shoulder legitimate risks.

Taxes and Loans

On the whole the budget should be balanced in such a manner that the community is enabled to save voluntarily an amount corresponding to a desired level of investment in private sector. Under these circumstances available private capital and consumption goods will be lifted off the market without exercising an inflationary or deflationary pressure on the price-level. For balancing the budget a government can rely on taxes as well as loans. Both these sources share a common characteristic of withdrawing purchasing power; but they are very much dissimilar with regard to their effects on the velocity of circulation of money. Hence the volume of purchasing power left behind after an equal amount of tax and loan is very much different.

If a community saves less than necessary to meet the requirements of private sector there is inflation which can be controlled by discouraging consumption and taxing it heavily. In a state of depression private investment is below the level necessary for full or normal employment. The remedy lies in providing fresh incentives by lowering tax burdens on enterprise, raising tariffs and subsidies and reducing direct costs of social security. Cost-reliefs can also be given through suitable adjustments in prices of production goods supplied by industries under public operation.

A situation which features prominently in contemporary economics is however that of excess savings. It is no more than a myth, for, in real world it cannot exist. To provide for it is futile and dangerous as man with insatiable and unlimited wants taken as a whole, cannot have at any time more than what he would like to spend and invest. The main issue is of the inadequacy of investments rather than of any excess of savings. And once this is admitted, much of the glamour woven round progressive taxation thins out. Consumption taxes become more important as they really are in activating economic system.

In all circumstances any departure from a balanced budget creates disturbances which in the long run hamper economic progress. Yet,

due to the differences in the effects of taxes and loans on employment efficiency and incentives as well as on money incomes no principle can be deduced a priori that all government expenditure should be met by taxes alone. There is on the other hand a great advantage in meeting part of the expenditure by loans, which, however, if raised on a voluntary basis have an element of uncertainty both with regard to their proceeds and effects. A working principle therefore of activating finance would be that ordinarily government meets all service expenditures by taxes and the rest against which it would have tangible assets by compulsory loans or savings.

Investment and Interest Rate

Private investment is often taken to be indelibly linked with the least important factor in costs namely interest. On this fallacy are based several postulates of both monetary management and fiscal policy having a common objective, namely, manipulation of interest rate to control the level of private investment. Failure of bank-rate policy and open market operations to stimulate economy during the depression has led to an emphasis on fiscal policy. One of the important levers of this new doctrine is again the control of interest rate through public borrowing. If investment levels in different parts of the world are compared with the rates of interest, either current or traced cumulatively to the past, no functional relationship is established between rate and investment. On theoretical grounds it cannot be held that changes in interest rate influence business decisions any more than variations in cost of other factors. In under-developed countries it is not even possible to influence the rate of interest in any practical manner because there is not a single rate but a multiplicity of rates which are seldom inter-related. Money market is not well organised and a large part of economy remains outside the sphere of money. To follow a rate under these circumstances is nothing short of a chimera. To the extent to which interest governs private investment it should be left free in a market economy to find its own level, which therefore will be stable and have at the same time an expansionist effect.

Compulsory Savings

To safeguard a free rate in private sector and to satisfy fully loan requirements of government, public borrowing activity should be delinked from the ordinary money and capital market. It can easily be done by giving up the practice of voluntary public loans. All loans should be raised on a compulsory basis like taxes to put funds from a less productive use to a more productive one. Their incidence on

different classes and groups has therefore to be calculated before-hand and a repayment is to be made on the same principle to promote more productive investment. The interest rate on such compulsory borrowings or savings has nothing to do with incentives or liquidity preference. It should be determined solely by considerations of what the public projects for which they are raised can bear and thus the execution of the projects will no longer be limited by the rates of interest and the availability of funds in the capital market. On the contrary it will depend on pre-determined needs of capital construction for increasing employment, efficiency and incentives.

An overall consideration for the financial operations of the state whether in collecting money or spending it is to be transfer of funds and resources from less to more productive use. Public finance is a process of reallocation and if handled wisely it can be used to push investment and income to its maximum point conceivable within a given situation. Various tax "bases" differ in their activation effect. A steeply progressive taxation of incomes and investments is likely to affect private incentives adversely. It may also encourage consumption at the cost of saving and investment. A country desirous of steady economic progress should therefore rely more on taxes on consumption rather than on heavier taxation of large incomes which are the source of larger savings and investment. These investment channels should not be choked or drained dry.

Optimum Budget

There is a point or level at which the size and structure of the state budget leads to a maximum ratio between the aggregate of national resources and national product so that the national dividend is the largest practical at that time. At this level, viz., the optimum, resource allocation obtains optimal relationship and the difference between employable and employed resources is reduced to the minimum in the situation. If by enlarging or reducing the size of the state budget or by a change in its structure whether on revenue or expenditure side including capital receipts and disbursements national dividend can be increased at a given time the budget is unsound and needs to be recast till the optimum is reached [4]).

[4]) According to Prof. Pigou "if the community were literally a unitary being, with the government as its brain, expenditure should be pushed forward in all directions upto the point at which satisfaction obtained from the last shilling expended, is equal to the satisfaction lost in respect of the last shilling called up on government service". By substituting the term "product" for "satisfaction" in this statement we reach a proximate standard of optimum budget but not the optimum itself since transfers between individuals inter se are not taken into account in the above statement.

To arrive at the optimum no margin should be left uncovered, so far as the financial operations of the state are concerned, for transfers from a less productive to a more productive unit, zone or field. Obviously, these transfers will be in the form of money, but actually they will rearrange resources. At its optimum the budget redistributes both resources and money incomes to make provision for maximum production. Public finance in bringing about a redistributive effect should look to this objective rather than to a fruitless ideal of equality of incomes. In countries with inadequacy of savings, naturally therefore, so long as there is acute scarcity, redistribution should be to transfer funds from low savings fields to high saving fields. In determining the optimum, all moments — present and future, are equally considered and a budget is bad if it tends to lower the rate of economic progress. The concept of optimum is relative to the size of the national dividend as well as to the rate at which it increases.

RÉSUMÉ

UN CONCEPT DE BUDGET OPTIMUM

L'auteur élabore une thèse pour une approche directe du problème production à travers la notion de finances publiques. Cette thèse est très différente dans son essence de la „functional finances" de Lerner, qui insiste tellement sur la distribution ou la consommation; et elle ne repose pas non plus sur la socialisation des moyens de production. Le concept „socio-politique" du rôle des finances publiques, lié à une approximation de la notion de prospérité est manifestement passé à côté du problème primaire à savoir d'élargir le „tas destiné à la distribution" en appuyant sur les transferts des riches aux pauvres afin de porter au maximum une prospérité sociale indéterminable ou les utilités accumulées De la même façon Keynes et ses successeurs, y compris Hansen, bien qu'ils aient attribué la faiblesse d'un système économique au manque d'incitation à l'investissement, s'occupent primordialement des aspects de la distribution pour stabiliser la demande accumulée, en agissant par les programmes fiscaux. Les Keynessiens, jusqu'ici sont préoccupés de leur ambiance immédiate d'économies développées, ou largement industrialisées et de politiques et mesures anti-cycliques.

Mais le problème à longue échéance qui consiste à élever la productivité et le revenu par tête de la population, même dans les économies soi-disant développées et les conséquences, si complexes dans leur origine, des économies sous-développées en d'autres lieux, demande d'après l'auteur qu'on mette l'accent sur la formation de capital et sur l'accroissement de l'investissement. Afin de niveller un système économique et de réaliser son potentiel de productivité, les transferts des riches aux pauvres ne sont pas aussi essentiels qu'une réalignement des ressources à partir des emplois relativement moins productifs, jusqu'aux emplois qui le sont davantage. Du point de vue d'un individu, il faudrait améliorer et étendre de façon constante (a) ses possibilités de travail, (b) sa capacité de travail, (c) son désir de travailler.

Les finances publiques donnent la contrôle des leviers de commande, capables d'élever les ressources dans une relation optima. L'auteur

constate: il existe un point ou un niveau auquel la mesure et la structure du budget de l'Etat mène à un rapport rationel maximum entre l'entassement de ressources nationales et la production nationale, de telle façon, que le dividende national soit le plus grand possible à un moment donné. Si, par une augmentation ou une réduction du volume du budget d'Etat ou par un changement de sa structure, fût ce du côté des revenus (y compris les recettes et dépenses de capital) le dividende national à un moment donné pouvait être augmenté, le budget serait maladif et devrait être refait jusqu'à ce qu'on atteigne le point optimum.

Un budget, pour être cause d'activité, exige l'équilibre du côté des revenus par les impôts et du côté du capital par l'épargne forcée grâce à des taux d'intérêt qui devraient être dissociés du marché de capital ordinaire. La politique fiscale doit toujours garder la neutralité entre l'entreprise publique et privée et amène à la réallocation des ressources au moyen de la dûre épreuve de l'efficacité et de la productivité dans le sens économique du mot et non pas simplement dans le sens étroit de la comptabilité.

Dans sa pratique une économie mixte dynamique surgit là, où le secteur privé de la production n'est pas important à lui seul; mais il sera soutenu et renforcé encore par un flux de biens de capital et d'équippement, essentiellement complétés par le secteur public, qui portera la principale responsabilité d'un élargissement de la somme totale des biens de consommation de la communauté.

THE SALES TAX AS AN ANTI-INFLATIONARY MEASURE*)

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It is generally recognized today that the anti-inflationary effectiveness of the collection of a given sum of tax revenue by the government is greatly dependent upon the form of tax employed. During World War II and again during the past year, the argument has commonly been advanced in the United States and elsewhere that a general sales tax is one of the most effective revenue sources, from the standpoint of inflation control. It is the purpose of this paper to analyze this argument.

The case for the use of a sales tax in inflationary periods can be evaluated most satisfactorily in terms of the major alternative-further increase in personal income taxes. There are several differences between these alternatives which are significant for the question of anti-inflationary effectiveness. In the first place, the sales tax applies only to the portion of income spent on taxable goods, rath than to the entire amount of income less allowed deductions and credits. Accordingly sales tax liability can be reduced by spending less on taxable goods, and increasing the percentage of income saved or spent for non-taxable purposes, whereas income tax liability can be reduced only by earning less-given the number of dependents and other circumstances affecting tax liability. Sales tax liability, but not income tax liability, is also incurred by spending previously accumulated wealth. Secondly, the sales tax is paid at the time of purchase and is directly associated with the act of purchasing; the income tax is paid when the income is earned, or at stated intervals during the year.

Finally, the burden of distribution among income classes and between various families within particular income classes is almost certain to be different. The usual type of income tax increase, in which the rate is raised by a certain percentage or by certain percen-

*) This article is based upon a paper presented at the Annual Conference of the Western Economic Association at Santa Clara, California Sept. 6, 1951.

tage points, will not affect the very lowest income groups at all and will be distributed in a proportional or progressive fashion among other groups. A sales tax, in usual form, will be distributed over all income classes, and likely in regressive fashion, certainly in higher income brackets. It is true that an income tax increase involving complete elimination of exemptions and a regressive distribution of the burden among income classes would produce much the same pattern of distribution as a sales tax. But income tax increases rarely take this form. Within income classes, the sales tax places a relatively heavy burden on those persons spending high percentages of their incomes, either because of circumstances such as large size of family which compel them to do so in order to maintain a living standard typical for the income class, or because they choose to do so in order to maintain a higher-than-typical living standard. On the other hand, income tax liability is not affected by the percentage of income spent, as such, and is reduced by certain circumstances necessitating high expenditures, such as large size of family or heavy medical expenses.

Relative anti-inflationary effectiveness of the two taxes can be traced largely to these differences.

Effects on Consumer Spending — There are two ways in which a sales tax reduces consumer spending; the tax reduces *ability* to spend by taking purchasing power away from persons, and it gives some *incentive* to spend less. So far as the first consideration is concerned, the sales tax has little inherent advantage over other forms of tax. The sales tax curtails the ability to buy by making goods more expensive; the income tax does so by taking money directly from the worker's paycheck or from the taxpayers at the time of payment of tax installments. The advantage frequently claimed for the sales tax, that it is more effective in reducing ability to spend than is an income tax increase, is due largely to the relative distribution of burden of sales taxes and usual income tax increases. Since more of the burden of the former rests on the lower-income groups which have little margin of saving — obviously the sales tax will affect consumption purchases to a greater extent than an income tax increase (yielding the same revenue) borne largely in the higher income brackets. But this advantage could be attained equally well by a more regressive type of income tax increase. The claimed merit of the sales tax is not due primarily to the inherent character of this tax, but to the fact that it is borne by lower income groups to a greater extent than the typical income tax increase. A limited advantage exists for the sales tax because of the heavier burden which this tax places on those persons within various income classes spending higher-than-average percentages of their incomes.

In regard to the question of incentives to spend, however, the sales

tax would appear to have some net advantage. Sales tax liability, but not income tax liability, can be reduced by curtailing consumption. To some extent the sales tax will merely cause a shifting of purchases away from taxable goods to untaxed ones, such as food, if the latter is exempt, housing, and various personal services which cannot feasibly be brought within the scope of the tax. As a consequence, the inflationary pressures will be shifted from taxed goods to these. But some reduction in total consumer spending should also result, since the advantage of saving for purposes other than the future purchase of taxable goods is increased relative to that of consumption. The accumulation of savings for emergency reserves, old age, protection of heirs, purchase in the future of non-taxable goods such as houses, or expansion of businesses is rendered more attractive, relative to consumption, than before. Furthermore, if the tax is regarded as a temporary measure, strong incentive is given to postpone the purchase of durable consumption goods until the tax has expired.

It is impossible to assess the quantitative importance of this advantage of the sales tax. If the tax is expected to be permanent, and persons' relative preferences for consumption and savings are such that they will seek to maintain existing levels of living rather than current rates of saving, the incentive effect will not be significant at all. If the tax rate is substantial, and repeal in the immediate future is anticipated, the effect may be noticeable. Even in this case, however, the effect is likely to wear off after a period, as persons become accustomed to the tax.

A sales tax obviously provides less incentive to curtail spending than a progressive-rate spending tax. The administrative difficulties of the latter appear so great, however, that it has received little serious attention. In a severe inflationary period, further consideration of this levy is warranted.

Incentives to Work — The major advantage which is commonly claimed for the sales tax as compared to income tax increases is based upon considerations of relative effects upon incentives to work, and, in the case of businesses, to produce and expand. If tax increases weaken incentives to work, and lessen total labor-hours available, certainly the defense effort will be weakened and the over-all level of living reduced, and very likely the anti-inflationary effect of the tax will be reduced as well. If all of the additional income that would have been earned in the absence of the tax would have been spent, the failure to work the additional hours and earn this sum will not aggravate inflation. But actually these marginal dollars of income are the ones most likely to be saved; thus the failure to earn them will mean a greater reduction in output than in spending, and inflation will be aggravated.

It has been widely argued that the income tax has more adverse effect upon incentives to work than the sales tax. The income tax takes a portion of any additional income earned; accordingly, it is argued, gains from work are reduced, and the latter rendered relatively less attractive compared to leisure; thus persons will seek to work fewer hours than before the tax increase, and marginal workers will drop out of the labor market. In contrast, the sales tax will have much less effect, since the tax is not directly dependent upon income, and liability for it is incurred only if the income is spent on taxable goods.

However, this argument ignores the fact that the income tax, although reducing the gain from additional work, at the same time increases the relative value of dollars of income, and thus of work, compared to leisure, since the number of dollars of income after taxes is reduced [1]). In other words the tax increase, by reducing the person's level of living below the accustomed standard, gives him incentive to attempt to earn more to reattain the old level. It is impossible to say which of these forces is on the whole more significant. Those persons who are particularly determined to maintain a given level of living, or in other words those who have a high preference for the last increments of real income compared to the marginal portion of their leisure, will attempt to work more hours when the income tax is increased, or additional members of the family will seek employment. Persons placing a high premium on leisure, on the other hand, are likely to work less as a result of the tax.

The form of the tax increase is also likely to be significant. Sharply progressive rate increases, with exemptions and rates on lower brackets left unchanged, will have little effect on existing living levels, yet place a heavy burden on the marginal hours worked; especially if the income from the latter is not necessary for the accustomed living standard, strong incentive will be given to work less. Exemption-reductions and increases in the lower brackets, on the other hand, with little change in the marginal rates applying to most wage earners, would very likely increase labor-hours available. The reaction of the workers to a rate increase may also depend to a larger extent upon the relationship between the old rates and the new than upon the absolute level of the new rates. Once persons become accustomed to relatively high rates, increases to still higher figures may have far less effect on labor supply than a change to these rates made from very low figures.

There is no substantial evidence that the high rates of World War II or of recent years have had significant effect upon the labor

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[1]) For an elaboration see the paper by Carl Shoup, „Taxation for Defense", presented at the April 11, 1951 meeting of the Academy of Political Science.

supply. In Canada in World War II, when rates were higher than our present levels, there was widespread feeling that the rates were causing extensive absenteeism, but the evidence was by no means conclusive.

Furthermore, the sales tax will in part have the same work-incentive effects as an income tax; the difference is merely one of degree. The sales tax, by raising the monetary cost of a given level of living, will encourage persons to work harder to maintain old living levels. But on the other hand, the sales tax reduces the real gain, in terms of taxable goods, from additional work, and thus provides a discouraging effect as well, if marginal income is used for consumption. It is true, however, that marginal income desired for saving or for expenditure on non-taxable goods is not directly affected by the tax, and work to obtain such income is not discouraged.

On the whole, the sales tax probably has less adverse incentive effect than an income tax increase of the usual form, which does not alter exemptions, and raises marginal rates on the bulk of labor income. But there is probably little significant difference between a sales tax and an income tax whose burden is distributed in comparable manner among various income groups. In any event, the work-incentive consideration cannot be regarded as a significant argument for the use of a sales tax until it is clearly demonstrated that the income tax is producing serious adverse effects upon incentives to work.

So far as incentives on the part of business firms to produce and expand are concerned, it is doubtful if income tax increases have significant effects in inflationary periods. Profit prospects are so good, despite the tax, that the latter is not likely to be a strong deterrent. Certainly the rate of output with given plant capacity will not be affected. Investment is likely to be so restricted by allocations and shortages of materials that the tax will not have a serious effect upon it. Furthermore, restriction of the types of investment which do not result quickly in increased output of commodities in short supply is beneficial from the standpoint of inflation control.

Effects upon Costs — The anti-inflationary effect of a tax depends not only upon its success in reducing spending, and in avoiding interference with production incentives, but also upon the extent to which the tax avoids placing additional upward pressure upon wages and other factor prices. Increases in the latter raise both incomes and costs and aggravate the inflationary spiral.

On the whole, the sales tax is more likely to result in wage increases than is an increase in the income tax. The sales tax increases the prices which consumers pay for commodities and thus raises the index of the cost of living. As a result wages in escalator-clause industries will

rise automatically, and strong pressure will develop for wage increases in other fields. It is true, of course, that increases in the income tax likewise lead to demands for higher wages. But no automatic adjustments in wages occur in this case, and the bargaining argument of the unions is weaker. The sales tax is also likely to lead to upward adjustments in farm parity prices and ultimately in prices of farm products, which in turn will stimulate further wage increases. To the extent that these reactions occur, the anti-inflationary effect which the sales tax would otherwise have will be lost, as well as any possible advantage which the sales tax would have, from the standpoint of inflation control, over an income tax increase.

However, is it not possible to exclude the sales tax from the cost of living index? Technically, the answer is yes, particularly with a retail sales tax, since with this form the amount of the tax element in retail prices can be estimated with little difficulty. Practically, however, the opposition of farm and labor groups to this procedure would be so great that there is little likelihood of the action being taken. Apart from these interested groups, persons concerned with the integrity of the index are not sympathetic to the procedure, on the basis that the index would fail to give a true picture of living cost changes if the tax were excluded.

The sales tax would also contribute to inflation to the extent that the tax burden was pyramided on the way to the final consumer through application of percentage markups to the tax, which would result in price increases in excess of the tax. Manufacturers' and wholesale sales taxes inevitably pyramid, as well as the portion of a retail sales tax which applies to producers' goods. In practice, it is impossible to confine a sales tax entirely to purchases of goods for consumption purposes.

On the whole, the direct anti-inflationary effect of a sales tax is probably greater than that of an income tax increase of the usual type, since the tax particularly burdens those persons spending high percentages of their incomes and compels them to buy less; it gives a limited incentive to save more and spend less; and it probably has somewhat weaker adverse work-incentive effects. The superiority can easily be exaggerated, however; furthermore, the advantage is due primarily to the difference in the distribution of the sales tax burden among income classes, compared to that of the usual income tax increase, rather than to inherent characteristics of the sales tax. To a very large extent the same advantages could be obtained from a type of increase in the income tax which would result in a comparable over-all distribution of burden among income classes. Finally, such direct advantage that the sales tax may have is likely to be more than destroyed by wage increases resulting from the tax.

Equity Considerations — In selecting anti-inflationary measures, equity considerations cannot be ignored; a tax whose burden is obviously distributed in an inequitable fashion has little advantage over inflation itself. There are two related charges of inequitiy which can be advanced against a sales tax. One is that of regressiveness of distribution of burden among income classes, with consequent placing of a particularly heavy relative share of defense costs upon persons in the lower income groups. Several questions may be raised about this argument. The first is that of whether a sales tax actually is regressive. Only in recent years has much effort been made to examine empirically the ancient charge of regressiveness. Several recent studies have indicated that a sales tax is clearly regressive if food is taxable, but roughly proportional, except at high income levels, if food is exempt [2]). A study made by the author of the Canadian Manufacturers Sales Tax, based upon the 1947—1948 study of consumer expenditure patterns in Canada, bears this out, as shown in the accompanying table. The data shown refer only to the burden of

TABLE I

Distribution of the Burden of the Canadian Manufacturers' Sales Tax on Various Income Classes *) Non-Farm Families and Single Consumers 1947—1948

Income Class	Percentage of Income Spent on Taxable Goods	Percentages of Income Spent on Taxable Goods, with Food and Fuel Taxable
Under $ 1051	29.5	74.6
$ 1051—$ 1549	35.5	69.8
$ 1550—$ 2050	32.8	64.9
$ 2051—$ 2549	33.8	65.9
$ 2550—$ 3050	36.9	68.3
$ 3051—$ 3549	37.2	64.7
$ 3550—$ 4050	37.5	63.5
$ 4050—$ 5050	36.6	60.8
Over $ 5050	32.1	49.3

Source of consumer expenditure data: Tabulation Provided by Canadian Bureau of Statistics.

*) The data cover only the portion of the sales tax applying to consumption goods. About one-fourth of the tax rests on sales of producers' goods.

the portion of the tax on consumption goods; the portion (about 25 % of the total) on producers' goods is distributed in a much more regressive fashion, as it enters into the cost of exempt as well

2) See for example the article by D. C. Miller, „Sales Tax Progressivity Attributable to a Food Exemption", *National Tax Journal*, Vol. IV (June 1951), pp. 148-59.

as taxable goods [3]). Or, as an alternative, if food is taxable, regressiveness can be reduced by the provision of refunds of tax to persons in the lower income brackets [4]); such a plan, however, would complicate administration considerably.

Nevertheless, even if regressiveness is avoided the burden of the tax will be distributed much less progressively, especially in the higher brackets, than the usual form of income tax increase. But the decision in regard to what constitutes an equitable distribution rests strictly upon one's individual point of view; there are no objective criteria of equity of overall burden distribution.

Apart from the question of over-all distribution of burden by income class, the charge can also be levied against the sales tax of discrimination against those persons whose circumstances compel them to spend high percentages of their incomes. Unfortunately there is no way in which a sales tax can distinguish between those persons who deliberately spend high percentages of their incomes to maintain better-than-typical living levels, and those who spend large amounts because they are compelled to do so by circumstances. Large families are particularly penalized, to a much greater extent if food is taxable than if it exempt, as well as young couples acquiring necessary household furnishings, and persons suffering losses of taxable property by casualty. Even if a policy of financing defense spending largely by greater tax burden on the lower- and middle income groups is considered essential, income tax adjustments, on the whole, would provide a much more equitable way of attaining the desired ends.

It is true that the sales tax has the merit of reaching persons able to evade or avoid income taxes, and those spending large amounts in inflationary periods from previously accumulated wealth. It also avoids the placing of excessive burden on persons with heavy contractual obligations to repay debt. But these merits appear to be less significant than the disadvantage of inevitable discrimination against persons whose circumstances compel them to spend high percentages of their incomes.

In summary, in view of the likelihood that the possible anti-inflationary effect of a sales tax would be destroyed by consequent wage increases, and the lack of significant justification for the tax on an equity basis, the case for the introduction of the tax at the present

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[3]) It should be noted also that the table is based upon oversimplified assumptions in regard to shifting; it is assumed that the exact amount of tax is shifted to ultimate consumers, and that distributors' margins are the same on all goods. It is obvious that neither assumption is in close agreement with the actual situation.

[4]) See for example the article by W. A. Morton, „A Progressive Consumption Tax", *National Tax Journal*, Vol. IV (June 1951), pp. 160-66.

time is weak. Perhaps the greatest objection to the use of the tax as an anti-inflationary measure in countries such as the United States not now using national sales taxes is the danger that the tax, once introduced, would remain as a permanent element in the tax structure. In the United States, with substantial reliance on sales taxes by both the Federal and State governments, it would be very difficult to attain the generally-accepted degree of progression in the tax structure, especially within the lower and middle income brackets; the absolute burden on the poor and on large families would be substantial; any future depression would be greatly aggravated by such a tax structure. On the whole the case of the states for the use of sales taxes is much better than that of the Federal government; the states can scarcely be expected to withdraw from the field [5]).

However, in the event of a major war, if income taxes reached levels beyond which further increases actually would have serious effects on work incentives, and if the inequities of the income tax did become burdensome, a sales tax might be preferable to no additional taxes at all, or to haphazard increases in excises, which if carried far enough would produce much the same result as a sales tax, and yet discriminate against persons according to their relative preferences for taxed and untaxed goods. If a sales tax is used, however, every possible safeguard should be employed to insure the expiration of the tax at the end of the inflationary period — but there is great danger that no such safeguards would prove adequate.

The Selection of the Most Desirable Form of Sales Tax — Room does not permit analysis of the question of the most desirable form of sales tax, if one were to be used. However, major requirements can be noted briefly:

1 - Exemption of food is desirable, in order to minimize regressiveness and the absolute burden on the lowest income groups and on large families. It should be noted, however, that some of the advantage of food exemption is lost because of shifting of purchases, and thus of inflationary pressures, to food if the latter is tax free.

2 - In the interest of simplicity and administrative feasibility, a single uniform tax rate should be employed, on as wide a range of consumption goods and services as possible, except those exempted because of very strong justification. Rate differentiation and numerous exemptions complicate administration seriously and introduce some of the undesirable effects of excises.

3 - The tax should be confined to purchases for personal consump-

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5) As of November 1, 1951, 31 states were employing retail sales taxes in the U.S., for the most part at 2 percent or 3 percent rates.

tion as far as possible. Application of the tax to purchases of goods for production use is contrary to the general intent of the sales tax, and results in unnecessary pyramiding, in discrimination against certain firms and methods of production, and in uneven burden on various consumption expenditures. It is difficult to exclude all such purchases, since many are made in small quantities from retail stores. But most sales taxes apply to far too many producers' goods; there is no need or justification for application of the tax to industrial machinery and equipment, trucks, railway equipment, and the like as is typically done.

4 - A retail sales tax has substantial advantages over other forms. Only with a retail tax can a uniform burden be placed upon all consumption expenditures which are considered suitable bases for the tax, and pyramiding — a serious evil with other forms of sales tax — held to a minimum. The retail tax is clearly obvious to the consumer, rather than being hidden in the prices of goods, and offers greater chance of minimizing wage increases than other forms of sales taxes. When a sales tax is introduced in a period in which effective price ceilings are in operation, the retail form is almost essential. Other forms of sales taxes would require general revision of price ceilings, because the amounts of the tax cannot feasibly be kept separate from the prices of the goods all down through the distribution channels.

The only limitation of the retail form, compared to manufacturers' or wholesale levies, is that of the larger number of taxpayers, perhaps seven times as many. But state experience in the United States has clearly demonstrated the ability to collect a retail sales tax effectively at reasonable cost. Even from an administrative standpoint alone, the advantage of smallness of numbers with the manufacturers' tax is largely offset by other troublesome collection problems which are avoided with the retail levy. The worst of these — on the basis of Canadian experience — is that of readjusting prices for tax purposes on direct sales by manufacturers to retailers or consumers. Such readjustments — which are very hard to make equitably — are essential to avoid discrimination against firms selling directly, and competing with firms selling through wholesalers.

It is interesting to note that while in the United States the National Association of Manufacturers has long endorsed the manufacturers' sales tax, the Canadian Manufacturers Association for many years sought repeal of such a tax in Canada; while in recent years it has largely given up the fight as hopeless, it is not at all sympathetic to the levy. The typical Canadian manufacturer, after 25 years experience with the tax, would be very happy to see its repeal.

RÉSUMÉ

L'IMPOT SUR LE CHIFFRE D'AFFAIRES COMME MESURE ANTI-INFLATIONNISTE

Dans une période inflationniste c'est une question d'une importance majeure de savoir s'il est désirable d'établir un impôt sur le chiffre d'affaires (ou de majorer le taux d'un tel impôt) plutôt que d'augmenter à nouveau le taux de l'impôt sur le revenu.

Effets anti-inflationnistes relatifs. L'effet anti-inflationniste direct provenant de la collection d'une certaine somme à cause d'un impôt sur le chiffre d'affaires est probablement plus grand que celui de la collection de la même somme provenant de l'augmentation des types usuels d'impôts sur le revenu. L'impôt sur le chiffre d'affaires charge en particulier les personnes qui dépensent un pourcentage élevé de leurs revenus et les force à acheter moins; il donne un stimulant limité pour épargner davantage et dépenser moins; et il aura probablement des effets plus faibles contre la stimulation au travail. Cependant l'impôt sur le chiffre d'affaires aussi bien que l'impôt sur le revenu auront tous les deux pour effet de stimuler ou d'arrêter le travail; l'avantage net de l'impôt sur le chiffre d'affaires, à cet égard n'est probablement pas aussi grand qu'on le prétend.

La supériorité que pourrait avoir l'impôt sur le chiffre d'affaires du point de vue effet anti-inflationniste direct est à attribuer d'abord à la façon dont se distribue le fardeau de cet impôt à travers les classes de revenus en comparaison de celle des accroissements d'usage de l'impôt sur le revenu, plutôt qu'aux avantages qui seraient inhérents à l'impôt sur le chiffre d'affaires. Dans une très grande mesure les mêmes avantages pourraient être obtenus par une sorte d'augmentation de l'impôt sur le revenu qui aurait pour résultat une comparable distribution du fardeau de l'impôt à travers les classes de revenus.

Enfin il est important de reconnaître le fait, que les effets anti-inflationnistes directs de l'impôt sur le chiffre d'affaires pourraient être plus qu'anéantis par les hausses des salaires résultant de cet impôt. A moins que les salaires ne soient contrôlés d'une façon stricte, les coûts de la vie plus élevés provenant de l'impôt sur le chiffre

d'affaires aboutiront fatalement à des salaires plus élevés dans les industries dans lesquels les contrats avec les syndicats contiennent des prévisions qui attachent les niveaux de salaires aux indices de coûts de la vie et amèneront aussi probablement les augmentations dans les autres industries.

Considérations d'Equité. Du point de vue équité, un grief majeur de l'impôt sur le chiffre d'affaires est qu'il distribuerait son fardeau d'une façon régressive. Quelques études récentes, y compris celles de la Canadian Manufacturers Sales Tax, suggéraient que l'impôt sur le chiffre d'affaires, quand on en exempte la nourriture, n'est pas régressif, sauf pour les niveaux de revenus élevés. Cependant, au mieux, l'impôt serait de nature proportionnelle et ferait en plus de discriminations à l'égard des personnes — tels ceux qui ont une grande famille à leur charge — dont les circonstances les forcent à dépenser des pourcentages élevés de leurs revenus. L'impôt sur le chiffre d'affaires a en effet l'avantage de contraindre les personnes qui facilitent l'inflation par la dépense de grandes sommes des richesses accumulées, à payer des impôts considérables; elle a en sus la mérite de toucher les personnes qui évitent les impôts sur le revenu, ou leur échappent.

Dans l'ensemble la supériorité de l'usage de l'impôt sur le chiffre d'affaires (ou des augmentations de cet impôt), prenant pas sur des augmentations d'un impôt sur le revenu, n'est pas très fondée, à moins qu'un point ait été atteint à partir duquel les augmentations supplémentaires produiraient nettement des effets contraires à la volonté de travailler. Dans les pays tels que les Etats Unis, dans lesquels les impôts sur le chiffre d'affaires ne sont pas employés par le gouvernement national à l'heure actuelle, une des objections principales faites contre l'introduction d'un tel impôt est la crainte que l'impôt ne serait pas supprimé, une fois la pression inflationniste terminée.

Si les impôts sur le chiffre d'affaires devaient être employés, l'exemption des nourritures serait désirable dans une grande mesure dans l'intérêt de l'équité; un taux unique et uniforme possédérait un mérite substantiel; l'impôt devrait être limité aux biens de consommation dans la mesure du possible. L'imposition des biens employés dans un stade de production plus avancé serait contraire à l'intention de l'impôt et au fonctionnement d'une façon efficace de l'économie nationale. Un impôt sur les ventes en détail serait grandement préférable aux autres formes, en particulier parce qu'il ne produirait pas de „pyramide" et parce qu'il serait absolument clair pour le consommateur.

BOOKREVIEW

Budgetary Structure and Classification of Government Accounts. (United Nations Publication: 1951 XVI. 3).

This booklet consists of two parts each of 50 pages. The first is devoted to theoretical expositions while the second is composed of descriptions of the budget systems in Italy, Sweden, the U.S.A. and the U.S.S.R. This latter part can properly be omitted from discussion here, the former, containing the theory, providing the subject matter for this review.

The reason which prompted the U.N. Secretariat to undertake publication of the booklet is set out on page 1 of the Preface:

„The main reason for presenting this study..... is..... that no regional or any other kind of international co-ordination of government programmes can be effectively executed without some common basis of budgeting and financial reporting. The disparity of methods of presentation, the diversity of fiscal calendar dates of individual countries are matters of concern to an international organization which strives to improve co-operation in the economic and social fields. This study deals with the basic methods of presentation."

It is justly remarked in the Introduction on page 3, that:

„A central government budget has two purposes: one is to serve as the major tool of executive management and legislative control and the other is to reveal information significant to economic analysis and at the same time provide the framework for a policy of stability and development."

As regards the second part of the book, the Introduction says:

„Significant measurements of the change in character, direction and volume of government activity are essential for economic analysis; the measurements are only a first step in the appraisal of the total effects of government activity. *Appropriate budgetary classification can greatly facilitate the task of securing these measurements*" [1]). Remarks with which we can wholly agree.

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[1]) Reviewer's italics.

A brief review of the six sections dealing with *basic methods* follows.

I - *Comprehensiveness in budgeting* (pp. 7—10).

The budget is required to present a complete picture of the financial programme of the government and thus embraces the whole of the public sector.

In order that the budget should comply with this demand for comprehensiveness, a number of general rules are prescribed. As regards public undertakings it is said that only the operating deficits or surpluses and the capital transactions should appear in the central budget, but that more detailed information, such as profit and loss accounts and balance sheets, should be given in an annex to the budget in such a form as to permit the consolidation of all the figures concerning public undertakings.

As regards social security payments and receipts, it is said that these can either be included in the general budget or treated in a separate system of accounts. The latter will be the more usual method employed, in which case consolidation with the general budget is necessary as in the case of public undertakings.

If the presented principles are followed the basis is laid for a classification of receipts and expenditures of great importance for the purposes of economic analysis.

II - *Current and Capital Account* (pp. 11—21).

Although one can agree with the recommendations and motives put forward in the book for making a distinction between „current" and „capital" accounts, it really ought no longer to be necessary to defend the „double" budget.

An important point in applying the double budget system is the actual definition of what is meant by „current" and „capital". It is possible to make the distinction on the „life expectancy" of the goods and services concerned („current", if the goods and services are consumed within the current fiscal year, „capital", if the life expectancy extends with the following fiscal year). A second method of distinction is based on the concept „revenue producing"; i.e. those investments are regarded as „capital" which yield revenue. Such a basis for classification naturally restricts the amount of the capital account.

The best solution in my opinion — and also the one advanced in the book — is that the same rules should be applied for the definition of „current" and „capital" as are used by private companies.

A separate section is devoted to *„Classifications within the capital account"*. By applying the ideas developed in this section, it is

possible to make the capital account of maximum usefulness for the purposes of economic analysis.

Current Account Expenditures are treated in similar fashion. In order to reveal their economic character these should at very least be divided as follows: 1 - purchases of goods and services for current consumption, i.e. within the current fiscal year; 2 - transfer payments; and 3 - subsidies.

III - *Revenue Classification* (pp. 22—24).

As regards the classification of government receipts, it is said that three main types of distinctions should be made. 1 - tax as opposed to non-tax revenue, 2 - direct as opposed to indirect taxes, and 3 - revenue derived from private income account as opposed to revenue from private capital account.

IV - *Other issues* (pp. 25—26).

Three special subjects are dealt with under this heading; they are:

A - *Foreign and Domestic Transactions.* The book regards it as important to distinguish between government receipts and expenditures from foreign and from domestic activities. This can be done in two ways: the distinction can be made in an appendix to the budget accounts or incorporated in the central government accounts. This latter system is applied in the Technical Appendix. I would give the preference, however, to the former system; first, because the distinction can often give rise to difficulties and is better excluded from the general budget itself, and secondly, because, since foreign transactions only occur in a few agencies as a rule, the other agencies would have to make nil returns.

B - *Calendar Year and Fiscal Year.* In general national income accounts are compiled on a calendar year basis while government budgets cover a fiscal year which may not always correspond with the calendar year. This, the book maintains, gives rise to all manner of difficulties, which can only be solved after careful examination of existing practices.

In my opinion it is desirable to take steps to have the fiscal year correspond with the calendar year.

C - *Cash and Accrual Basis.* The cash basis is generally applied in the public sector for the accounts of departments and agencies, and the accrual basis for public undertakings. The accrual basis is usual in the private sector. The national income accounts, which include both public and private sectors, are also on an accrual basis and as a result the integration of the figures of both sectors is a matter of some difficulty.

In this respect the work gives very clearly defined advice. For my

part I would advise the employment of the accrual basis *in principle* and the cash basis only in those cases or for those sections, where the incurring of obligations and the liquidation of these by payment practically coincide or at least fall within the same fiscal year.

V - *Classification in Provincial and Local Budgets* (pp. 27—28).

Much that applies to the central government is also relevant for the lower jurisdictions. Although there may be all kinds of special circumstances, it must be recognized that the accounts of the provinces and towns must be included in the accounts of the public sector.

VI - *The Applicability of Classification Systems.*

It is not the intention of this book to give a set of budgetary rules or to recommend any particular procedure. It does, however, make an attempt to analyze a number of problems regarding the structure and the classification of the budget so that the various observations and conclusions may be of assistance in cases in which budget reform is to be undertaken.

Technical Appendix (pp. 33—49).

In this appendix tables are given in which the financial transactions of the central government, the public undertakings and the social insurance funds are consolidated. This means that transactions between the government sectors themselves are omitted. Further, a distinction is made in the tables between transactions at home and abroad and between the current and capital accounts.

The tables are, of course, intended as an example and guide.

As regards such tables we would make the general observation that:

Modern methods of accounting make it possible so to arrange the system of accounts that all the sub-divisions desired are included and that any desired combination of figures can be obtained practically automatically. This means that if the bare essentials of the scheme, as developed in the Technical Appendix, are followed internationally, every government can add as much detail as it seems necessary for its own purposes.

The *Fiscal Division* of the Department of Economic Affairs, which has prepared this study, has doubtlessly rendered many a service thereby, and it is to be hoped that many will read the book. We look forward with interest to the further studies announced in the Preface, which will deal with such subjects as fiscal timing, planning, execution and control.

O. BAKKER